



OHIO AUDITOR OF STATE
KEITH FABER



**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY
JUNE 30, 2020**

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PERRY COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

New Lexington Local 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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington Local School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2020, 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 such 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 School District, as of June 30, 2020, 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 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

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

The Schedule of Receipts and Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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, and 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 and Schedules of Net Pension and Other Post-employment Benefit Liabilities and Pension and Other Post-employment Benefit 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 25, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

March 25, 2021

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**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The management's discussion and analysis of the New Lexington Local 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, 2020. 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 2020 are as follows:

- The total net position of the School District increased \$1,508,712 or 111% from 2019.
- General receipts accounted for \$24,244,156 or 79% of total governmental activities receipts. Program specific receipts accounted for \$6,444,474 or 21% of total governmental activities receipts.
- The School District had \$29,179,918 in expenses related to governmental activities; \$6,444,474 of these expenses was offset by program specific charges for services and sales, operating grants and contributions and capital grants and contributions.
- The general fund had receipts and other financing sources of \$24,649,395 in 2020. This represents an increase of \$2,521,415 from 2019. The disbursements and other financing uses of the general fund, which totaled \$23,559,301 in 2020 increased \$687,973 from 2019. The net increase in fund balance for the general fund was \$1,090,094 or 210%.
- The debt service fund had receipts of \$305,782 in 2020, which is an increase of \$55,007 from 2019 receipts. The disbursements in the debt service fund totaled \$293,105 in 2020, which increased \$10,485 from 2019. The net increase in fund balance was \$12,677 or 3%.
- General fund actual receipts and other financing sources were \$1,088 less than final budget estimates at June 30, 2020. Actual disbursements and other financing uses were equal to 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 LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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 2020?"

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 LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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 and the debt service fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of receipts, disbursements, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

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

Fiduciary Funds

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

Government-Wide Financial Analysis

The table below provides a summary of the School District's assets and net position at June 30, 2020 and 2019:

	Net Position	
	Governmental Activities	
	2020	2019
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,866,623	\$ 1,357,911
Total Assets	\$ 2,866,623	\$ 1,357,911
<u>Net Position</u>		
Restricted for:		
Debt Service	\$ 499,002	\$ 486,325
Capital Projects	3,585	52,973
Building Maintenance	159,983	111,338
State and Federal Grants	157,106	173,421
Food Service	0	46,413
Other Purposes	4,724	4,748
Unrestricted	2,042,223	482,693
Total Net Position	\$ 2,866,623	\$ 1,357,911

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, net position was \$2,866,623 an increase of \$1,508,712 from 2019 and the School District was able to report positive balances in its categories of net position noting a portion of the School District's net position, or \$824,400, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$2,042,223 may be used to meet the School District's ongoing obligations to citizens and creditors.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The table below shows the changes in net position for fiscal years 2020 and 2019:

	Change in Net Position	
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 1,296,955	\$ 1,175,430
Operating Grants and Contributions	4,736,614	3,609,093
Capital Grants and Contributions	410,905	114,671
General Receipts:		
Property Taxes	4,956,967	3,695,614
Unrestricted Grants and Entitlements	16,510,685	16,584,460
Lease Purchase Refunding Proceeds	2,234,000	0
Earnings on Investments	42,640	28,728
Other	<u>499,864</u>	<u>546,011</u>
Total Receipts	<u>30,688,630</u>	<u>25,754,007</u>
Disbursements:		
Instruction:		
Regular	10,578,852	10,547,406
Special	4,234,106	4,388,368
Vocational	752,001	724,970
Other	3,410	14,849
Support Services:		
Pupils	1,709,064	1,472,440
Instructional Staff	688,121	663,559
Board of Education	86,996	34,862
Administration	1,795,502	1,843,935
Fiscal Services	464,914	454,970
Business	101,430	101,241
Operation and Maintenance of Plant	2,077,386	2,386,218
Pupil Transportation	1,264,089	1,447,303
Central	356,103	263,077
Food Service Operations	1,085,878	1,172,416
Community Services	89,388	93,782
Academic & Subject Oriented Activities	293,497	280,496
Extracurricular Activities	234,920	282,649
Capital Outlay	433,700	111,171
Debt Service:		
Principal Retirement	2,608,773	595,000
Interest and Fiscal Charges	281,816	110,056
Issuance Costs	<u>39,972</u>	<u>0</u>
Total Disbursements	<u>29,179,918</u>	<u>26,988,768</u>
Change in Net Position	1,508,712	(1,234,761)
Net Position at Beginning of Year	<u>1,357,911</u>	<u>2,592,672</u>
Net Position at End of Year	<u>\$ 2,866,623</u>	<u>\$ 1,357,911</u>

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Governmental Activities

Governmental activities net position was \$2,866,623 an increase of \$1,508,712 from 2019.

The significant major program disbursements for the School District include Instruction (Regular, Special, Vocational, and Other) and Support Services, which primarily supports Pupils, Administration, Operation and Maintenance of Plant, and Pupil Transportation disbursements. Instruction and Support Services had disbursements of \$15,568,369 and \$8,543,605, respectively, and accounted for 53% and 29% of the governmental disbursements of the School District, respectively. These disbursements were partially funded by \$1,169,507 in direct charges for services and sales and \$3,711,440 in operating grants and contributions.

The State and Federal government contributed to the School District a total of \$5,147,519 in operating and capital grants and contributions and are restricted to a particular program or purpose.

General receipts accounted for \$24,244,156 or 79% of total governmental activities receipts. These receipts primarily consist of property taxes and unrestricted grants and entitlements. These receipt line items total \$21,467,652 which is 89% of general receipts or 70% 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
	2020	2020	2019	2019
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
Program Disbursements:				
Instruction	\$ 15,568,369	\$ 12,186,656	\$ 15,675,593	\$ 12,937,764
Support Services	8,543,605	7,044,371	8,667,605	7,924,399
Food Service Operations	1,085,878	144,492	1,172,416	68,797
Community Services	89,388	(32,743)	93,782	(4,217)
Academic & Subject Oriented Activities	293,497	293,497	280,496	280,496
Extracurricular Activities	234,920	145,815	282,649	180,779
Capital Outlay	433,700	22,795	111,171	(3,500)
Debt Service	<u>2,930,561</u>	<u>2,930,561</u>	<u>705,056</u>	<u>705,056</u>
Total Disbursements	<u>\$ 29,179,918</u>	<u>\$ 22,735,444</u>	<u>\$ 26,988,768</u>	<u>\$ 22,089,574</u>

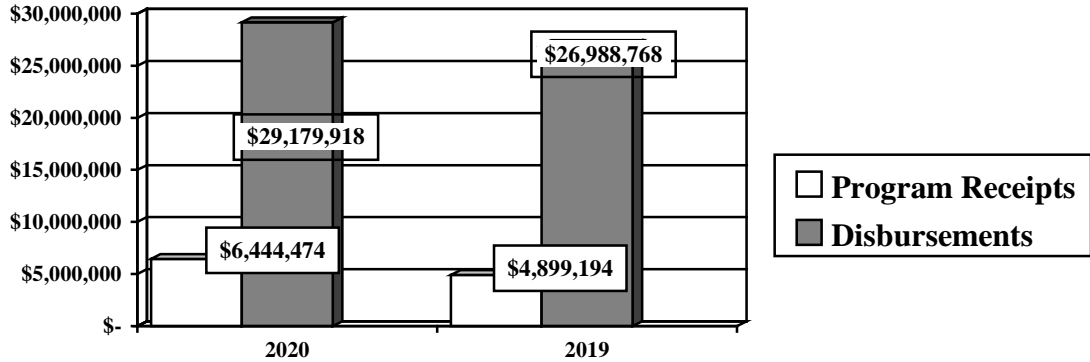
The increase in Instruction disbursements is attributed to changes in the number of personnel and salary and benefit related costs from the previous year, directly tied to new federal and state grants received by the School District. Debt service expenditures increased based on the School District refunding outstanding debt during the fiscal year. These increases are also reflected in the change in total disbursements.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

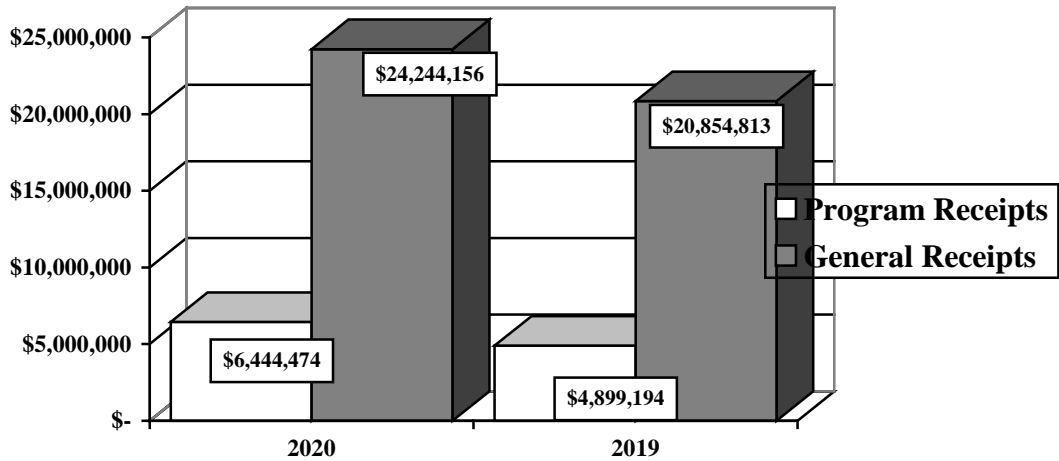
The graph below shows governmental-activities program receipts and total disbursements for fiscal years 2020 and 2019.

Governmental Activities - Program Receipts vs. Total Disbursements



The graph below shows governmental-activities general and program receipts for fiscal years 2020 and 2019.

Governmental Activities - General and Program Receipts



General receipts increased \$3,389,343 which is primarily attributed to higher property tax and unrestricted grants and entitlement receipts, combined with \$2,234,000 in debt proceeds. Program receipts increased 32% from the prior fiscal year.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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 \$2,392,113 which is \$1,071,510 higher than last fiscal year's total of \$1,320,603. The schedule below indicates the fund balances and the total change in fund balances for all major and nonmajor governmental funds.

<u>Funds</u>	<u>Fund Balance June 30, 2020</u>	<u>Fund Balance June 30, 2019</u>	<u>Increase (Decrease)</u>
General Fund	\$ 1,609,605	\$ 519,511	\$ 1,090,094
Debt Service	499,002	486,325	12,677
Other Governmental Funds	<u>283,506</u>	<u>314,767</u>	<u>(31,261)</u>
Total	<u>\$ 2,392,113</u>	<u>\$ 1,320,603</u>	<u>\$ 1,071,510</u>

Total fund balances for governmental funds increased 81% and is primarily attributed to the increases in disbursements outpacing the increases in receipts when compared to the prior fiscal year.

General Fund

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

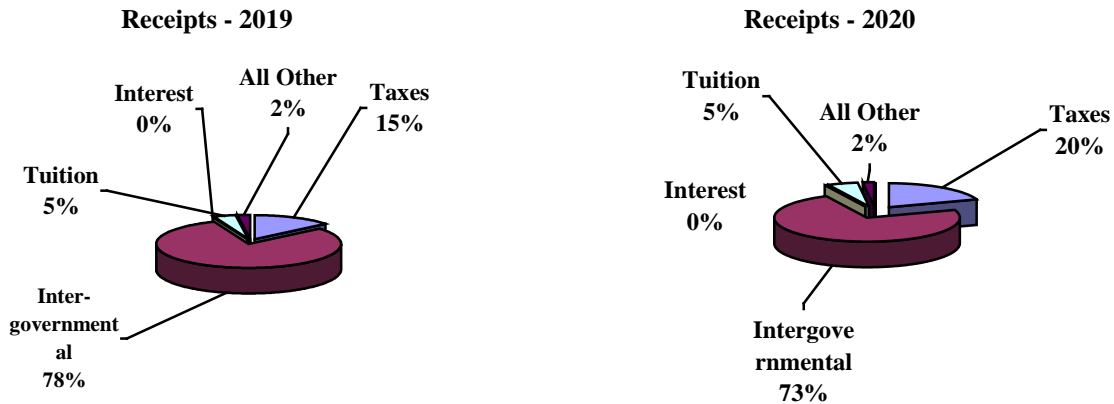
	<u>2020 Amount</u>	<u>2019 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Property Taxes	\$ 4,511,740	\$ 3,345,411	35 %
Intergovernmental	16,738,017	16,984,651	(1) %
Earnings on Investments	42,640	28,728	48 %
Tuition and Fees	1,169,507	1,027,160	14 %
Other	<u>476,297</u>	<u>516,784</u>	(8) %
Total	<u>\$ 22,938,201</u>	<u>\$ 21,902,734</u>	5 %

Intergovernmental receipts represent 73% of all general fund receipts noting total general fund receipts increased 5% from 2019 and are attributed to increase in property tax receipts.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The graphs below show a breakdown of the general fund's receipts for June 30, 2019 and 2020:



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

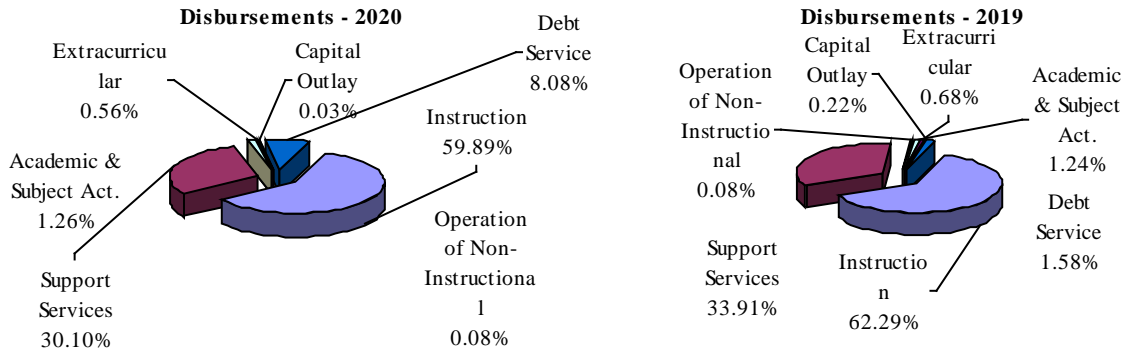
	2020 Amount	2019 Amount	Percentage Change
<u>Disbursements</u>			
Instruction	\$ 13,968,137	\$ 14,063,470	(1) %
Support Services	7,019,180	7,655,217	(8) %
Operation of Non-Instructional Services	17,857	18,367	(3) %
Academic & Subject Oriented Activities	293,497	280,496	5 %
Extracurricular Activities	131,447	154,277	(15) %
Capital Outlay	7,835	49,500	(84) %
Debt Service	1,884,825	356,289	429 %
Total	\$ 23,322,778	\$ 22,577,616	3 %

Disbursements increased during 2020 by 3% which was driven primarily by changes in support services provided off-set by increases in debt service for the refunding of outstanding debt.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The graphs below show the general fund's disbursements for June 30, 2020 and 2019:



Debt Service Fund

The debt service fund had receipts of \$305,782 in 2020, which is an increase of \$55,007 from 2019 receipts. The disbursements in the debt service fund totaled \$293,105 in 2020, which increased \$10,485 from 2019. The net increase in fund balance was \$12,677 or 3%.

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 and other financing sources were \$1,088 lower than final budget estimates at June 30, 2020. Actual disbursements and other financing uses were equal to 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.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2020 and 2019:

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

	Governmental Activities	
	2020	2019
General Obligation Bonds	\$ 355,223	\$ 449,996
Certificate of Participation Obligations	850,000	3,325,000
Lease Purchase Refunding	2,195,000	0
Total	\$ 3,400,223	\$ 3,774,996

Additional information regarding the School District's outstanding debt can be found in Note 12.

Net Pension Liability

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.

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 10 to the basic financial statements.

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 LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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.

Net Other Postemployment Benefits Liability

GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" which significantly revises accounting for healthcare 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.

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 other postemployment benefits liability and proportion of the net other postemployment benefits liability is disclosed in Note 11 to the basic financial statements.

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 healthcare costs, GASB 45 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 other postemployment benefits liability*. GASB 75 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.

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, 2549 Panther Drive, New Lexington, Ohio 43764.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Net Position - Cash Basis
June 30, 2020*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,866,623</u>
<i>Total Assets</i>	<u><u>\$2,866,623</u></u>
 Net Position	
Restricted for:	
Debt Service	\$499,002
Capital Projects	3,585
Building Maintenance	159,983
State and Federal Grants	157,106
Other Purposes	4,724
Unrestricted	<u>2,042,223</u>
<i>Total Net Position</i>	<u><u>\$2,866,623</u></u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2020*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$10,578,852	\$979,261	\$796,005	\$0	(\$8,803,586)
Special	4,234,106	114,747	1,076,006	0	(3,043,353)
Vocational	752,001	75,165	340,195	0	(336,641)
Other	3,410	334	0	0	(3,076)
Support Services:					
Pupil	1,709,064	0	1,018,025	0	(691,039)
Instructional Staff	688,121	0	290,524	0	(397,597)
Board of Education	86,996	0	0	0	(86,996)
Administration	1,795,502	0	167,117	0	(1,628,385)
Fiscal	464,914	0	2,388	0	(462,526)
Business	101,430	0	0	0	(101,430)
Operation and Maintenance of Plant	2,077,386	0	0	0	(2,077,386)
Pupil Transportation	1,264,089	0	13,980	0	(1,250,109)
Central	356,103	0	7,200	0	(348,903)
Operation of Non-Instructional Services:					
Food Service Operation	1,085,878	38,343	903,043	0	(144,492)
Community Services	89,388	0	122,131	0	32,743
Academic & Subject Oriented Activities	293,497	0	0	0	(293,497)
Extracurricular Activities	234,920	89,105	0	0	(145,815)
Capital Outlay	433,700	0	0	410,905	(22,795)
Debt Service:					
Principal Retirement	2,608,773	0	0	0	(2,608,773)
Interest and Fiscal Charges	281,816	0	0	0	(281,816)
Issuance Costs	39,972	0	0	0	(39,972)
Total	\$29,179,918	\$1,296,955	\$4,736,614	\$410,905	(22,735,444)
		General Receipts:			
		Property Taxes Levied for:			
		General Purposes			4,511,740
		Debt Service			274,001
		Permanent Improvements			97,857
		Classroom Facilities			73,369
		Unrestricted Grants and Entitlements			16,510,685
		Lease Purchase Refunding Proceeds			2,234,000
		Earnings on Investments			42,640
		Other			499,864
		Total General Receipts			24,244,156
		Change in Net Position			1,508,712
		<i>Net Position Beginning of Year</i>			<u>1,357,911</u>
		<i>Net Position End of Year</i>			<u><u>\$2,866,623</u></u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2020*

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,609,605	\$499,002	\$283,506	\$2,392,113
<i>Total Assets</i>	<u>\$1,609,605</u>	<u>\$499,002</u>	<u>\$283,506</u>	<u>\$2,392,113</u>
Fund Balances				
Restricted:				
Debt Service	\$0	\$499,002	\$0	\$499,002
State and Federal Grants	0	0	157,106	157,106
Building Maintenance	0	0	159,983	159,983
Capital Outlay	0	0	3,585	3,585
Other Purposes	0	0	4,724	4,724
Assigned:				
Public School Support	40,937	0	0	40,937
Future Obligations	119,299	0	0	119,299
Unassigned (Deficit)	1,449,369	0	(41,892)	1,407,477
<i>Total Fund Balances</i>	<u>\$1,609,605</u>	<u>\$499,002</u>	<u>\$283,506</u>	<u>\$2,392,113</u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Cash Basis
June 30, 2020*

Total Governmental Fund Balances	\$2,392,113
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Governmental activities' net position includes the internal service fund cash and cash equivalents. The proprietary fund statements include these assets.	<u>474,510</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$2,866,623</u></u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2020*

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$4,511,740	\$274,001	\$171,226	\$4,956,967
Intergovernmental	16,738,017	28,782	4,891,405	21,658,204
Earnings on Investments	42,640	0	0	42,640
Tuition and Fees	1,169,507	0	0	1,169,507
Extracurricular Activities	0	0	89,105	89,105
Charges for Services	0	0	38,343	38,343
Other Receipts	476,297	2,999	20,568	499,864
<i>Total Receipts</i>	<u>22,938,201</u>	<u>305,782</u>	<u>5,210,647</u>	<u>28,454,630</u>
Disbursements				
Current:				
Instruction:				
Regular	9,980,719	0	796,005	10,776,724
Special	3,217,920	0	1,089,149	4,307,069
Vocational	766,088	0	0	766,088
Other	3,410	0	0	3,410
Support Services:				
Pupil	752,003	0	970,846	1,722,849
Instructional Staff	390,111	0	303,220	693,331
Board of Education	86,996	0	0	86,996
Administration	1,660,621	0	167,117	1,827,738
Fiscal	457,035	7,305	6,870	471,210
Business	100,677	0	753	101,430
Operation and Maintenance of Plant	2,021,446	0	88,314	2,109,760
Pupil Transportation	1,236,992	0	60,550	1,297,542
Central	313,299	0	42,804	356,103
Operation of Non-Instructional Services:				
Food Service Operation	17,857	0	1,094,349	1,112,206
Community Services	0	0	89,388	89,388
Academic & Subject Oriented Activities	293,497	0	0	293,497
Extracurricular Activities	131,447	0	106,071	237,518
Capital Outlay	7,835	0	425,865	433,700
Debt Service:				
Principal Retirement	1,807,000	94,773	707,000	2,608,773
Interest and Fiscal Charges	49,775	191,027	41,014	281,816
Issuance Costs	28,050	0	11,922	39,972
<i>Total Disbursements</i>	<u>23,322,778</u>	<u>293,105</u>	<u>6,001,237</u>	<u>29,617,120</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(384,577)</u>	<u>12,677</u>	<u>(790,590)</u>	<u>(1,162,490)</u>
Other Financing Sources (Uses)				
Lease Purchase Refunding Proceeds	1,540,000	0	694,000	2,234,000
Transfers In	0	0	100,959	100,959
Transfers Out	(100,959)	0	0	(100,959)
Advances In	171,194	0	135,564	306,758
Advances Out	(135,564)	0	(171,194)	(306,758)
<i>Total Other Financing Sources (Uses)</i>	<u>1,474,671</u>	<u>0</u>	<u>759,329</u>	<u>2,234,000</u>
<i>Net Change in Fund Balances</i>	1,090,094	12,677	(31,261)	1,071,510
<i>Fund Balances Beginning of Year</i>	<u>519,511</u>	<u>486,325</u>	<u>314,767</u>	<u>1,320,603</u>
<i>Fund Balances End of Year</i>	<u>\$1,609,605</u>	<u>\$499,002</u>	<u>\$283,506</u>	<u>\$2,392,113</u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON LOCAL 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, 2020*

Net Change in Fund Balances - Total Governmental Funds	\$1,071,510
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
 The internal service fund charges 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>437,202</u>
 <i>Change in Net Position of Governmental Activities</i>	 <u><u>\$1,508,712</u></u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON LOCAL 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, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$3,345,411	\$4,511,740	\$4,511,740	\$0
Intergovernmental	16,984,651	16,738,015	16,738,017	2
Earnings on Investments	35,728	43,728	42,640	(1,088)
Tuition and Fees	1,027,160	1,169,507	1,169,507	0
Other	377,007	406,125	406,123	(2)
<i>Total Receipts</i>	<u>21,769,957</u>	<u>22,869,115</u>	<u>22,868,027</u>	<u>(1,088)</u>
Disbursements				
Current:				
Instruction:				
Regular	9,795,702	9,980,911	9,980,911	0
Special	3,227,565	3,217,691	3,217,691	0
Vocational	708,855	767,984	767,984	0
Other	14,850	3,410	3,410	0
Support Services:				
Pupil	1,193,766	751,503	751,503	0
Instructional Staff	369,689	400,150	400,150	0
Board of Education	34,862	86,997	86,997	0
Administration	1,568,586	1,675,468	1,675,468	0
Fiscal	432,191	460,722	460,722	0
Business	59,274	44,336	44,336	0
Operation and Maintenance of Plant	2,220,418	2,050,415	2,050,415	0
Pupil Transportation	1,347,737	1,237,566	1,237,566	0
Central	249,531	357,862	357,862	0
Operation of Non-Instructional Services:				
Food Service Operation	20	7	7	0
Academic & Subject Oriented Activities	280,495	293,497	293,497	0
Extracurricular Activities	155,943	131,560	131,560	0
Capital Outlay	0	7,835	7,835	0
Debt Service:				
Principal Retirement	295,000	1,807,000	1,807,000	0
Interest and Fiscal Charges	58,834	49,775	49,775	0
Issuance Costs	0	28,050	28,050	0
<i>Total Disbursements</i>	<u>22,013,318</u>	<u>23,352,739</u>	<u>23,352,739</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(243,361)</u>	<u>(483,624)</u>	<u>(484,712)</u>	<u>(1,088)</u>
Other Financing Sources (Uses)				
Lease Purchase Refunding Proceeds	0	1,540,000	1,540,000	0
Transfers Out	0	(100,959)	(100,959)	0
Advances In	171,194	171,194	171,194	0
Advances Out	0	(135,564)	(135,564)	0
<i>Total Other Financing Sources (Uses)</i>	<u>171,194</u>	<u>1,474,671</u>	<u>1,474,671</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(72,167)</u>	<u>991,047</u>	<u>989,959</u>	<u>(1,088)</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>420,881</u>	<u>420,881</u>	<u>420,881</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>38,529</u>	<u>38,529</u>	<u>38,529</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$387,243</u>	<u>1,450,457</u>	<u>\$1,449,369</u>	<u>(\$1,088)</u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Fund Net Position - Cash Basis
Proprietary Fund
June 30, 2020*

	<u>Governmental Activity</u>
	<u>Internal Service</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$474,510</u>
<i>Total Assets</i>	<u><u>\$474,510</u></u>
Net Position	
Unrestricted	<u>\$474,510</u>
<i>Total Net Position</i>	<u><u>\$474,510</u></u>

See accompanying notes to the basic financial statements

**NEW LEXINGTON LOCAL 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, 2020*

	Governmental Activity
	Internal Service
Operating Receipts	
Charges for Services	\$5,288,653
<i>Total Operating Receipts</i>	5,288,653
Operating Disbursements	
Claims	4,011,026
Purchased Services	528,385
Administration Fees	312,040
<i>Total Operating Disbursements</i>	4,851,451
<i>Change in Net Position</i>	437,202
<i>Net Position Beginning of Year</i>	37,308
<i>Net Position End of Year</i>	\$474,510

See accompanying notes to the basic financial statements

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

*Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
June 30, 2020*

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$88,404</u>
<i>Total Assets</i>	<u><u>\$88,404</u></u>
Net Position	
Held on Behalf of Students	<u>\$88,404</u>
<i>Total Net Position</i>	<u><u>\$88,404</u></u>

See accompanying notes to the basic financial statements

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**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 1 - Reporting Entity

New Lexington Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state 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 Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board; and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include 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 three jointly governed organizations and one insurance purchasing pool. These organizations are the Metropolitan Educational Technology Association (META) Solutions, the Tri-County Joint Vocational School District, the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 17 and 18 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 LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

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.

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.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

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".

The School District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2020 was \$847,871 which is not reported based on the School District reporting on the cash basis of accounting.

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, 2020 the School District did not report investments.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 2020 was \$42,640.

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, 2020.

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/Other Postemployment Benefits (OPEB)

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

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

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.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes, but do not meet the criteria to be classified as restricted nor 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 Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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.

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.

Fair Value

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 3 – Accountability and Compliance

A. Deficit Fund Balances

The Early Childhood, Special Education, IDEA Preschool and Reducing Class Size Other Governmental Funds reported negative cash balances of \$34,722, \$3,065, \$4,095 and \$10, respectively, at June 30, 2020.

B. Change in Accounting Principles

For 2020, the School District has implemented GASB Statement No. 95, *“Postponement of the Effective Dates of Certain Authoritative Guidance”*, GASB Statement No. 88, *“Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”* and GASB Statement No. 90, *“Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61”*.

GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. This statement had no effect on beginning net position/fund balance.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the School District.

GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School District.

C. 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 LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020 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	\$1,090,094
Public School Support Fund	19,164
Encumbrances	<u>(119,299)</u>
Change in Fund Balance - Budgetary Basis	<u><u>\$989,959</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.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 5 – Deposits and Investments (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
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).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 5 – Deposits and Investments (Continued)

At fiscal year end, the carrying amount of all School District deposits was \$2,955,027 and \$3,285,409 of the School District’s bank balance of \$3,535,409 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.

Investments

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

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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, 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 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected 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, 2020, are available to finance fiscal year 2021 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 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$153,464,590	84.75%	\$153,656,690	59.63%
Public Utility Personal Property	27,610,680	15.25%	104,021,210	40.37%
Total	\$181,075,270	100.00%	\$257,677,900	100.00%

Full Tax Rate per \$1,000 of assessed valuation	\$31.60
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**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 7 – Sponsorship Receivables

The School District entered into agreements with local vendors for the purpose of placing advertisements on the scoreboard in the Jim Rockwell Stadium. Sponsorships committed to the School District totaled \$150,000 and are payable over a period of 2 – 10 years and are recorded in the General Fund. The receivable balance at June 30, 2020 totaled \$83,500.

Note 8 - Interfund Transactions

A. Interfund balances at June 30, 2020, as reported on the fund financial statements consist of the following individual interfund loans receivable and payable:

<u>Advances In</u>	<u>Advances Out</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 171,194
Other Governmental Funds	General Fund	135,564
	Total	<u>\$ 306,758</u>

The primary purpose of the interfund balances is to cover costs in specific funds where receipts were not received by June 30. These interfund balances will be repaid once the anticipated receipts are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. An interfund transfer for the fiscal year 2020 consisted of the following, as reported on the fund financial statements:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	<u>\$ 100,959</u>

The primary purpose of the interfund transfer was to supplement the operations of the School District’s Food Service Other Governmental Fund.

Note 9 - Risk Management

A. Workers’ Compensation

For fiscal year 2020, 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.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 9 - Risk Management

Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”.

This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

B. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the School District contracted with the Ohio School Plan for the following insurance coverage:

Type of Coverage	Deductible	Coverage
Property	\$1,000	\$80,717,309
General Liability, in aggregate		3,000,000
General Liability, per occurrence		1,000,000
Bodily Injury, per person		1,000,000
Bodily Injury, per accident		1,000,000
Property Damage		1,000,000
Uninsured Motorist, per person		1,000,000
Uninsured Motorist, per accident		1,000,000
Cyber Liability, in aggregate		1,000,000
Umbrella Liability, per occurrence		3,000,000

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.

The School District is a member of the South-Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. The SCOIC’s primary purpose and objective is establishing and carrying out a cost-effective cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. Members include 21 public entities with approximately 3,500 employee lives covered for medical and prescription benefits with many different plan designs in place, as well as dental, vision, life, and accidental death and dismemberment insurances. The Bloom-Carroll Local School District serves as the fiscal agent for the SCOIC.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 9 - Risk Management (Continued)

SCOIC contracts with the Jefferson Health Plan (formerly, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)), for internal pool and stop loss coverage. The SCOIC members are considered self-insured and pay a monthly premium to SCOIC that is actuarially calculated based on the participants' actual claims experience which are utilized for the payments 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 the 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 participation, and in the event of a surplus, the internal pool pays dividends to the participants. SCOIC members participate in a shared-risk pool through SCOIC for individual claims from \$100,000-\$500,000. SCOIC members also participate in a JHP shared risk pool for individual claims from \$500,000-\$1,500,000. Sun Life provides stop loss coverage for individual claims over \$1,500,000. In the event that the School District would withdraw from SCOIC, the School District would be required to give a 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 in any surplus funds of SCOIC. To obtain financial information for the SCOIC, write to the fiscal agent, Bloom-Carroll Local School District, 5240 Plum Road NW, Carroll, Ohio 43112.

During the fiscal year, employees of the School District were covered by the School District's medical/surgical and dental self-insurance plan (the Plan). A summary of cash and cash equivalents and claim liabilities that existed at June 30, 2020 and 2019 are as follows:

	Balance at June 30, 2020	Balance at June 30, 2019
Cash and Cash Equivalents:	\$474,510	\$37,308
Claims Liability at June 30:	362,200	432,400
Cash with Fiscal Agent at June 30:	847,871	847,540

Note 10 - Defined Benefit Pension Plans

Net Pension Liability

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.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 10 - Defined Benefit Pension Plans (Continued)

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.

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 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.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 10 - Defined Benefit Pension Plans (Continued)

The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$339,540 for fiscal year 2020.

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 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 10 - Defined Benefit Pension Plans (Continued)

The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to 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. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS were \$1,251,343 for fiscal year 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.07733270%	0.07233426%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.07139410%</u>	<u>0.07331053%</u>	
Change in Proportionate Share	<u><u>-0.00593860%</u></u>	<u><u>0.00097627%</u></u>	
Proportionate Share of the Net Pension Liability	\$4,271,634	\$16,212,183	\$20,483,817

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 10 - 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, 2019, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

An assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 10 - Defined Benefit Pension Plans (Continued)

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 earnings were calculated using the long-term assumed investment rate of return (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$5,986,087	\$4,271,634	\$2,833,851

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 10 - Defined Benefit Pension Plans (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018 are presented below:

	July 1, 2019	July 1, 2018
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.50 percent, net of investment expenses, including inflation	7.50 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments	0.0 percent	0.0 percent

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 10 - Defined Benefit Pension Plans (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that 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. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$23,692,300	\$16,212,183	\$9,879,881

Note 11 - Defined Benefit OPEB Plans

Net OPEB Liability/(Asset)

Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective beginning fiscal year 2018.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB liability/(asset) represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/(asset) 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 these estimates 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 OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 11 - Defined Benefit OPEB Plans (Continued)

GASB 75 assumes the liability/(asset) is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/(asset). Resulting adjustments to the net OPEB liability/(asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population.

For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$21,600.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 11 - Defined Benefit OPEB Plans (Continued)

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 2020, the School District's surcharge obligation was \$18,280.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$32,364 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/(Asset)

The net OPEB liability/(asset) was measured as of June 30, 2019, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability/(asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 11 - Defined Benefit OPEB Plans (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.07726380%	0.07233426%	
Proportion of the Net OPEB Liability/(Asset)			
Current Measurement Date	<u>0.07029460%</u>	<u>0.07331053%</u>	
Change in Proportionate Share	<u>-0.00696920%</u>	<u>0.00097627%</u>	
Proportionate Share of the Net OPEB Liability	\$1,767,761	\$0	\$1,767,761
Proportionate Share of the Net OPEB (Asset)	\$0	(\$1,214,000)	(\$1,214,000)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

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FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 11 - Defined Benefit OPEB Plans (Continued)

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent
Discount Rate:	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 11 - Defined Benefit OPEB Plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	<u>1% Decrease (2.22%)</u>	<u>Current Discount Rate (3.22%)</u>	<u>1% Increase (4.22%)</u>
School District's proportionate share of the net OPEB liability	\$2,145,727	\$1,767,761	\$1,467,234

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 11 - Defined Benefit OPEB Plans (Continued)

	1% Decrease (6.00 % decreasing to 3.75 %)	Current Trend Rate (7.00 % decreasing to 4.75 %)	1% Increase (8.00 % decreasing to 5.75 %)
School District's proportionate share of the net OPEB liability	\$1,416,335	\$1,767,761	\$2,324,019

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll Increases	3.00 percent
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Health Care Cost Trends:	
Medical - Pre-Medicare	Initial: 5.87 percent, Ultimate 4.00 percent
Medical - Medicare	Initial: 4.93 percent, Ultimate 4.00 percent
Prescription - Pre-Medicare	Initial: 7.73 percent, Ultimate 4.00 percent
Prescription - Medicare	Initial: 9.62 percent, Ultimate 4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 11 - Defined Benefit OPEB Plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability/(asset) was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability/(asset) as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB (asset) as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB (asset)	(\$1,036,076)	(\$1,214,000)	(\$1,363,957)

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 11 - Defined Benefit OPEB Plans (Continued)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB (asset)	(\$1,376,845)	(\$1,214,000)	(\$1,014,995)

Assumption Changes Since the Prior Measurement Date

There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date

There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Note 12 - Debt

The changes in the School District's long-term debt during fiscal year 2020 were as follows:

	Outstanding June 30, 2019	Additions	Deletions	Outstanding June 30, 2020	Due Within One Year
Governmental Activities					
2007 General Obligation Refunding Bonds - 4% - 4.4%	\$449,996	\$0	(\$94,773)	\$355,223	\$85,223
<i>Direct Placement:</i>					
2012 Certificate of Participation Lease - 6.5%	1,670,000	0	(1,670,000)	0	0
2014 Certificate of Participation Lease - 1% - 3.5%	960,000	0	(110,000)	850,000	115,000
2016 Certificate of Participation Lease - 3.87%	695,000	0	(695,000)	0	0
2019 Lease Purchase Agreement Refunding 2.3%	0	2,234,000	(39,000)	2,195,000	256,000
<i>Total Direct Placement Debt</i>	<u>3,325,000</u>	<u>2,234,000</u>	<u>(2,514,000)</u>	<u>3,045,000</u>	<u>371,000</u>
Total Governmental Activities	<u>\$3,774,996</u>	<u>\$2,234,000</u>	<u>(\$2,608,773)</u>	<u>\$3,400,223</u>	<u>\$456,223</u>

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.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 12 – Debt (Continued)

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 and was refunded during fiscal year 2020.

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.

2016 Stadium Lease Financing Agreement: On January 22, 2016, the School District finalized a lease financing agreement totaling \$830,000 for renovations to the School District's football stadium and related facilities. The lease financing agreement is being retired from the Permanent Improvement Other Governmental Fund and was refunded during fiscal year 2020.

2019 Lease Purchase Refunding Agreement, Series 2019: The District entered into a \$2,234,000 lease purchase agreement to refund the previously outstanding 2012 Certificates of Participation and 2016 Stadium Lease Financing Agreement. The net present value of savings related to this refunding totaled \$80,855.

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

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**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 12 – Debt (Continued)

Fiscal Year	General Obligation Refunding Bonds			2019 - Lease Purchase Refunding		
	Principal	Interest	Total	Principal	Interest	Total
Ended June 30:						
2021	\$85,223	\$195,577	\$280,800	\$256,000	\$47,542	\$303,542
2022	270,000	5,400	275,400	265,000	41,550	306,550
2023	0	0	0	268,000	35,420	303,420
2024	0	0	0	275,000	29,176	304,176
2025	0	0	0	281,000	22,782	303,782
2026-2030	0	0	0	782,000	37,604	819,604
2031	0	0	0	68,000	781	68,781
Total	\$355,223	\$200,977	\$556,200	\$2,195,000	\$214,855	\$2,409,855

Fiscal Year	2014 - Certification of Participation		
Ended June 30:	Principal	Interest	Total
2021	\$115,000	\$23,016	\$138,016
2022	115,000	20,572	135,572
2023	115,000	17,913	132,913
2024	120,000	14,976	134,976
2025	125,000	11,288	136,288
2026-2030	260,000	9,095	269,095
Total	\$850,000	\$96,860	\$946,860

Note 13 – Leases

The School District entered into a three year lease-purchase financing agreements 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 July 15, 2018. The School District General and the IDEA Part B Funds will pay the respective principal and interest payments. The School District also entered into a lease purchase agreement for the purchase of four 77 passenger school buses at an interest rate of 2.8% with the first payment due August 15, 2016 from the General Fund.

The School District also entered into a seven-year lease-purchase financing agreement with Siemens Financial Services to finance the acquisition of a new building automation system. The lease requires the School District to make payments of principal and interest beginning September 2018. The School District's General and Classroom Facilities funds will pay the respective principal and interest payments. Finally, the School District entered into a sixty-three month lease purchase financing agreement with GFC Leasing for the purchase of new copiers paid from the General Fund with the first payment due February 2019.

The School District entered into a lease purchase agreement for three (3) 2021 78 passenger school buses with the first payment made in April 2020. Lease payments will be paid from the Permanent Improvement Other Governmental Fund.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 13 – Leases (Continued)

All leases provide the option of purchase at the end of the lease term. The following is a schedule of the future long-term minimum lease payments required under the lease-purchase financing agreement:

Fiscal Year	Apple Computer Equipment			School Buses		
	Principal	Interest	Total	Principal	Interest	Total
Ended June 30:						
2021	\$17,025	\$935	\$17,960	\$52,077	\$4,498	\$56,575
2022	0	0	0	53,535	3,040	56,575
2023	0	0	0	55,029	1,546	56,575
Total	\$17,025	\$935	\$17,960	\$160,641	\$9,084	\$169,725

Fiscal Year	Building Automation System			Copiers		
	Principal	Interest	Total	Principal	Interest	Total
Ended June 30:						
2021	\$52,714	\$16,842	\$69,556	\$2,223	\$843	\$3,066
2022	55,913	13,643	69,556	2,486	580	3,066
2023	59,306	10,250	69,556	2,781	285	3,066
2024	62,905	6,651	69,556	999	24	1,023
2025	66,722	2,833	69,555	0	0	0
2026	11,508	85	11,593	0	0	0
Total	\$309,068	\$50,304	\$359,372	\$8,489	\$1,732	\$10,221

Fiscal Year	(3) 2021 - 78 Passenger Buses		
	Principal	Interest	Total
Ended June 30:			
2021	\$37,186	\$6,958	\$44,144
2022	38,265	5,879	44,144
2023	39,374	4,770	44,144
2024	40,516	3,628	44,144
2025	41,691	2,453	44,144
2026	42,895	1,249	44,144
Total	\$239,927	\$24,937	\$264,864

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 14 – 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
Set-Aside Balance as of June 30, 2019	\$0
Current Year Set-aside Requirement	303,854
Offsets	(147,860)
Qualifying Disbursements	(293,849)
Total	(\$137,855)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0

Note 15 – Significant Commitments – 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	\$ 119,299
Other Governmental Funds	167,530
Total	\$ 286,829

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 16 – Contingent Liabilities

A. Litigation

The School District is currently not a party to any legal proceedings.

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 17 - Jointly Governed Organizations

A. 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.

B. Metropolitan Educational Technology Association (META) Solutions

The School District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 17 - Jointly Governed Organizations (Continued)

C. 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 18 – Public Entity Risk Pools

Ohio School Boards Association Workers’ Compensation Group Rating Plan

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

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

Note 19 – Subsequent Events

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 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 adjustments for fiscal year 2020 have been finalized. Management believes these adjustments do not materially impact the financial statements.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The investments of the pension and other employee benefit plan in which the School District participates fluctuate with market conditions, and due to the market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

OTHER INFORMATION

**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST SEVEN FISCAL YEARS (1)(2)**

	2019	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.07139410%	0.07733270%	0.07064500%	0.07337230%
School District's Proportionate Share of the Net Pension Liability	\$ 4,271,634	\$ 4,428,987	\$ 4,220,883	\$ 5,370,175
School District's Covered-Employee Payroll	\$ 2,436,111	\$ 2,381,630	\$ 2,407,014	\$ 2,275,679
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	175.35%	185.96%	175.36%	235.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%

(1) Information prior to 2013 is not available.

(2) Amounts presented as of the School District's measurement date which is the prior fiscal year.

2015	2014	2013
0.07194390%	0.069628%	0.069628%
\$ 4,105,189	\$ 3,523,833	\$ 4,140,554
\$ 2,174,629	\$ 2,022,260	\$ 2,635,168
188.78%	174.25%	157.13%
69.16%	71.70%	65.52%

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

OTHER INFORMATION

**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST SEVEN FISCAL YEARS (1)(2)**

	2019	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.07331053%	0.07233426%	0.07312404%	0.06900546%
School District's Proportionate Share of the Net Pension Liability	\$ 16,212,183	\$ 15,904,680	\$ 17,370,772	\$ 23,098,207
School District's Covered-Employee Payroll	\$ 8,686,786	\$ 8,290,021	\$ 8,148,793	\$ 7,477,564
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	186.63%	191.85%	213.17%	308.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%	66.80%

(1) Information prior to 2013 is not available.

(2) Amounts presented as of the School District's measurement date which is the prior fiscal year.

2015	2014	2013
0.06871821%	0.07209645%	0.07209645%
\$ 18,991,703	\$ 17,536,352	\$ 20,889,187
\$ 7,353,515	\$ 7,623,498	\$ 7,071,536
258.27%	230.03%	295.40%
72.10%	74.70%	69.30%

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**OTHER INFORMATION
SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 339,540	\$ 328,875	\$ 321,520	\$ 336,982
Contributions in Relation to the Contractually Required Contribution	<u>(339,540)</u>	<u>(328,875)</u>	<u>(321,520)</u>	<u>(336,982)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$ 2,530,104	\$ 2,436,111	\$ 2,381,630	\$ 2,407,014
Contributions as a Percentage of Covered-Employee Payroll	13.42%	13.50%	13.50%	14.00%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 318,595	\$ 286,616	\$ 283,116	\$ 345,207	\$ 372,374	\$ 246,822
<u>(318,595)</u>	<u>(286,616)</u>	<u>(283,116)</u>	<u>(345,207)</u>	<u>(372,374)</u>	<u>(246,822)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$ 2,275,679	\$ 2,174,629	\$ 2,022,260	\$ 2,635,168	\$2,768,580	\$1,963,580
14.00%	13.18%	14.00%	13.10%	13.45%	12.57%

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 1,251,343	\$ 1,216,150	\$ 1,160,603	\$ 1,140,831
Contributions in Relation to the Contractually Required Contribution	<u>(1,251,343)</u>	<u>(1,216,150)</u>	<u>(1,160,603)</u>	<u>(1,140,831)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$ 8,938,164	\$ 8,686,786	\$ 8,290,021	\$ 8,148,793
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,046,859	\$ 1,029,492	\$ 991,055	\$ 919,300	\$ 857,771	\$ 1,012,495
<u>(1,046,859)</u>	<u>(1,029,492)</u>	<u>(991,055)</u>	<u>(919,300)</u>	<u>(857,771)</u>	<u>(1,012,495)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$ 7,477,564	\$ 7,353,515	\$ 7,623,498	\$ 7,071,536	\$ 6,598,238	\$ 7,788,423
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

OTHER INFORMATION

**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST FOUR FISCAL YEARS (1)(2)**

	2019	2018	2017	2016
School District's Proportion of the Net Other Postemployment Benefit Liability	0.07029460%	0.07726380%	0.07121680%	0.05327586%
School District's Proportionate Share of the Net Other Postemployment Benefit Liability	\$ 1,767,761	\$ 2,143,507	\$ 1,911,272	\$ 1,518,559
School District's Covered-Employee Payroll	\$ 2,436,111	\$ 2,381,630	\$ 2,407,014	\$ 2,275,679
School District's Proportionate Share of the Net Other Postemployment Benefit Liability as a Percentage of its Covered-Employee Payroll	72.56%	90.00%	79.40%	66.73%
Plan Fiduciary Net Position as a Percentage of the Total Other Postemployment Benefit Liability	72.63%	83.25%	81.25%	97.20%

(1) Information will be for 10 years, as they become available.

(2) Amounts presented as of the School District's measurement date which is the prior fiscal year.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

OTHER INFORMATION

**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST FOUR FISCAL YEARS (1)(2)**

	2019	2018	2017	2016
School District's Proportion of the Net Other Postemployment Benefit Liability/(Asset)	0.07331053%	0.07233426%	0.07312404%	0.06900546%
School District's Proportionate Share of the Net Other Postemployment Benefit Liability/(Asset)	\$ (1,214,000)	\$ (1,612,000)	\$ 2,853,030	\$ 3,690,430
School District's Covered-Employee Payroll	\$ 8,686,786	\$ 8,290,021	\$ 8,148,793	\$ 7,477,564
School District's Proportionate Share of the Net Other Postemployment Benefit Liability/(Asset) as a Percentage of its Covered-Employee Payroll	13.98%	19.45%	35.01%	49.35%
Plan Fiduciary Net Position as a Percentage of the Total Other Postemployment Benefit Liability/(Asset)	174.70%	176.00%	47.10%	37.30%

(1) Information will be for 10 years, as they become available.

(2) Amounts presented as of the School District's measurement date which is the prior fiscal year.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**OTHER INFORMATION
SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST SIX FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 32,364	\$ 45,008	\$ 49,971	\$ 36,149
Contributions in Relation to the Contractually Required Contribution	<u>(32,364)</u>	<u>(45,008)</u>	<u>(49,971)</u>	<u>(36,149)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$ 2,530,104	\$ 2,436,111	\$ 2,381,630	\$ 2,407,014
Contributions as a Percentage of Covered-Employee Payroll	0.50%	0.50%	0.50%	0.00%

(1) Information will be for 10 years, as they become available.

<u>2016</u>		<u>2015</u>	
\$	49,397	\$	52,441
	<u>(49,397)</u>		<u>(52,441)</u>
	<u>\$0</u>		<u>\$0</u>
\$	2,275,679	\$	2,174,629
	0.00%		0.82%

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**OTHER INFORMATION
SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST SIX FISCAL YEARS (1)**

	2020	2019	2018	2017
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
School District Covered-Employee Payroll	\$ 8,938,164	\$ 8,686,786	\$ 8,290,021	\$ 8,148,793
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%

(1) Information will be for 10 years, as they become available.

<u>2016</u>		<u>2015</u>	
	\$0		\$0
	<u>0</u>		<u>0</u>
	<u>\$0</u>		<u>\$0</u>
\$	7,477,564	\$	7,353,515
	0.00%		0.00%

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

NOTES TO THE OTHER INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO - NET PENSION LIABILITY

Changes of Benefit Terms : No changes of benefit terms were implemented.

Changes of Benefit Terms from 2018: With the authority granted to the Board under Senate Bill 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

Changes of Benefit Terms from 2017: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.50% with a floor of 0.0% beginning January 1, 2018. In addition, with the authority granted the Board under House Bill 49, the Board enacted a three-year COLA delay for benefit recipients in calendar years 2018, 2019, and 2020.

Changes of Assumptions from 2016: Assumed rate of inflation was reduced from 3.25% to 3.00%, payroll growth assumption was reduced from 4.00% to 3.50%, assumed real wage growth was reduced from 0.75% to 0.50%, rates of withdrawal, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries, and disabled members were updated.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO- NET PENSION LIABILITY

Changes in Benefit Terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2019.

Changes in Assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

Method and assumptions used in calculation of actuarial determined contributions: The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Valuation Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return, Net of Investment Expense, Including Inflation	7.45%	7.45%
Projected Salary Increases	12.50% at Age 20 to 2.50% at Age 65	12.50% at Age 20 to 2.50% at Age 65
Projected Payroll Growth	3.00%	3.00%
Inflation Assumption	2.50%	2.50%
Cost-of-living adjustments	None	None

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO - NET OPEB LIABILITY

Changes of Benefit and Funding Terms: No changes of benefit or funding terms were implemented in fiscal year 2019.

Changes of Assumptions from 2016: Assumed rate of inflation was reduced from 3.25% to 3.00%, payroll growth assumption was reduced from 4.00% to 3.50%, assumed real wage growth was reduced from 0.75% to 0.50%, rates of withdrawal, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries, and disabled members were updated.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO- NET OPEB (ASSET)

Method and Assumptions Used in Calculation of Actuarial Determined Contributions: The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Valuation Date	June 30, 2019	January 1, 2018
Measurement Date	June 30, 2019	June 30, 2018
Amortization Method	Level percentage of payroll	Level percentage of payroll
Actuarial Cost Method	Entry age normal	Entry age normal
Discount Rate	7.45%	7.45%
Projected Salary Increases	12.50% at Age 20 to 2.50% at Age 65	12.50% at Age 20 to 2.50% at Age 65
Payroll Increases	3.00%	3.00%
Trend Rates	4.00%-9.62% initial; 4.00% ultimate	-5.23%-9.62% initial; 4.00% ultimate

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass-Through Grantor Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Receipts	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	10.553	2019/2020	\$27,318	\$27,318
National School Lunch Program	10.555	2019/2020	44,571	44,571
Non-Cash Assistance (Food Distribution) Subtotal			<u>71,889</u>	<u>71,889</u>
Cash Assistance:				
School Breakfast Program	10.553	2019/2020	234,574	234,574
COVID-19 School Breakfast Program	10.553	2020	76,286	76,286
National School Lunch Program	10.555	2019/2020	361,312	361,312
COVID-19 School Lunch Program	10.555	2020	138,437	138,437
Summer Food Service Program for Children	10.559	2019/2020	78,530	78,530
COVID-19 Summer Food Service Program for Children	10.559	2020	34,250	34,250
Cash Assistance Subtotal			<u>923,389</u>	<u>923,389</u>
Total Child Nutrition Cluster			<u>995,278</u>	<u>995,278</u>
Total U.S. Department of Agriculture			995,278	995,278
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	2019 2020	204,481 1,098,068	155,026 1,124,382
Total I Grants to Local Educational Agencies			<u>1,302,549</u>	<u>1,279,408</u>
Special Education Cluster:				
Special Education Grants to States	84.027	2019 2020	72,423 352,713	47,242 355,779
Total Special Education Grants to States			<u>425,136</u>	<u>403,021</u>
Special Education Preschool Grants	84.173	2020	14,350	18,445
Total Special Education Cluster			<u>439,486</u>	<u>421,466</u>
Twenty-First Century Community Learning Centers	84.287	2019 2020	75,429 296,257	72,039 317,723
Total Twenty-First Century Community Learning Centers			<u>371,686</u>	<u>389,762</u>
Rural Education	84.358	2019 2020	1,996 35,663	0 35,663
Total Rural Education			<u>37,659</u>	<u>35,663</u>
Supporting Effective Instruction State Grant	84.367	2019 2020	11,537 66,746	8,464 66,757
Total Supporting Effective Instruction State Grant			<u>78,283</u>	<u>75,221</u>
Striving Readers Grant	84.371	2019 2020	130,268 489,151	122,445 496,864
Total Striving Readers Grant			<u>619,419</u>	<u>619,309</u>
Student Support Academic Enrichment	84.424	2019 2020	2,190 43,190	0 45,170
Total Student Support Academic Enrichment			<u>45,380</u>	<u>45,170</u>
Total U.S. Department of Education			<u>2,894,462</u>	<u>2,865,999</u>
Total Receipts and Expenditures of Federal Awards			<u>\$3,889,740</u>	<u>\$3,861,277</u>

The accompanying notes are an integral part of this Schedule.

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR § 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – 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 E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

New Lexington Local 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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lexington Local School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2020, 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 25, 2021, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District.

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) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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 financial statement. 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 matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2020-001.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 25, 2021

OHIO AUDITOR OF STATE KEITH FABER



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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 THE UNIFORM GUIDANCE

New Lexington Local 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 Local 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) *Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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, 2020.

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 the Uniform Guidance, 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 25, 2021

**NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control 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 weaknesses in internal control 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 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Program (list): <ul style="list-style-type: none"> • Title I – CFDA # 84.010 • Twenty-First Century Community Learning Centers – CFDA # 84.287 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2020-001

Noncompliance

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

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

NEW LEXINGTON LOCAL SCHOOL DISTRICT
PERRY COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020
(Continued)

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

FINDING NUMBER 2020-001 (Continued)

Noncompliance (Continued)

The School District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, 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. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

NEW LEXINGTON SCHOOLS

2549 Panther Drive
New Lexington, Ohio 43764



Casey Coffey, Superintendent

Christine Barnette, Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
JUNE 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	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 information is available regarding the initial fiscal year of this finding as the District has no past record of preparing its annual financial report pursuant to generally accepted accounting principles.	Not Corrected.	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.

NEW LEXINGTON SCHOOLS

2549 Panther Drive
New Lexington, Ohio 43764



Casey Coffey, Superintendent

Christine Barnette, Treasurer

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	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.		Christine Barnette, Treasurer

OHIO AUDITOR OF STATE KEITH FABER



NEW LEXINGTON LOCAL SCHOOL DISTRICT

PERRY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/6/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov