

New Boston Local School District
Scioto County
Single Audit
For the Fiscal Year Ended June 30, 2012



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Dave Yost • Auditor of State

Board of Education
New Boston Local School District
#1 Glenwood Tiger Trail
New Boston, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the New Boston Local School District, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The New Boston Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 8, 2013

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New Boston Local School District
Scioto County
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For the Fiscal Year Ended June 30, 2012

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Independent Auditor's Report

Board of Education
New Boston Local School District
#1 Glenwood Tiger Trail
New Boston, Ohio 45662

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

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Boston Local School District, Scioto County, as of June 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards expenditures as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 28, 2012

NEW BOSTON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

As management of the New Boston Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and in the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

Net assets of governmental activities decreased \$121,993.

General revenues accounted for \$3,180,583 of total revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,470,365 of total revenues of \$5,650,948.

The School District had \$5,772,941 in expenses related to governmental activities; only \$2,470,365 of these expenses were offset by program specific charges for services and sales, operating grants, contributions, and interest. General revenues (primarily grants, entitlements and property taxes) of \$3,180,583 and beginning net asset balances were more than adequate to provide for these programs.

Using the Basic Financial Statements

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand New Boston Local School District as a financial whole, an entire operating entity.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, 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 major funds with all other nonmajor funds presented in total in one column. The major funds for the New Boston Local School District are the General Fund, the Bond Retirement Debt Service Fund, and the Classroom Facilities Capital Projects Fund.

NEW BOSTON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2012?”

The Statement of Net Assets and the Statements of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. The change in net assets 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. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page eight. 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 focus on the School District's major funds, which are the General Fund, the Bond Retirement Debt Service Fund, and the Classroom Facilities Capital Projects Fund.

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

NEW BOSTON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

Fiduciary Funds – The School District has three fiduciary funds: two agency funds and one private purpose trust fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for fiscal years 2012 and 2011:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>
Assets			
Current Assets	\$12,726,132	\$23,373,682	(\$10,647,550)
Capital Assets, Net	15,635,990	4,544,741	11,091,249
Total Assets	<u>28,362,122</u>	<u>27,918,423</u>	<u>443,699</u>
Liabilities			
Other Liabilities	3,411,971	2,801,093	610,878
Long-Term Liabilities	3,597,380	3,642,566	(45,186)
Total Liabilities	<u>7,009,351</u>	<u>6,443,659</u>	<u>565,692</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,604,219	4,463,028	9,141,191
Restricted	6,109,754	15,146,795	(9,037,041)
Unrestricted	1,638,798	1,864,941	(226,143)
Total Net Assets	<u><u>\$21,352,771</u></u>	<u><u>\$21,474,764</u></u>	<u><u>(\$121,993)</u></u>

Total assets of governmental activities increased \$443,699. This increase was primarily due to an increase in construction in progress relating to the Ohio Schools Facilities Commission building project. The large decrease in current assets stemmed from the School District spending monies received to complete the facilities project along with a decrease in intergovernmental receivable for revenue received during the fiscal year. This decrease was primarily the result of a decrease in federal grants that the School District had received in the prior fiscal year, as well as the reduction in the receivable for the Ohio School Facilities Commission project.

NEW BOSTON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

Total liabilities had an increase of \$565,692 for fiscal year 2012 when compared to the prior fiscal year. The other liabilities increased \$610,878 due to significant increases in contracts and retainage payable related to the Ohio Schools Facilities Commission building project.

Invested in capital assets, net of related debt for governmental activities increased \$9,141,191. The increase is due to construction in progress relating to the classroom facilities project. Restricted net assets decreased \$9,037,041 primarily due to the School District spending monies received from the Ohio School Facilities Commission Grant in association with their facilities project. Unrestricted net assets for governmental activities decreased \$226,143 which resulted from general revenues remaining relatively the same as the prior fiscal year while expenses increased slightly due to general cost increases and the School District absorbing some costs that were covered by federal grants in the prior fiscal year.

Table 2 shows the highlights of the School District's revenues and expenses for fiscal years 2012 and 2011. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, operating grants, capital grants, contributions, and restricted interest. General Revenues include property taxes, unrestricted grants, such as State foundation support, unrestricted contributions, unrestricted interest and miscellaneous revenues.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

(Table 2)
Change in Net Assets

	<u>Governmental Activities</u>		<u>Increase/ (Decrease)</u>
	<u>2012</u>	<u>2011</u>	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,197,960	\$1,132,535	\$65,425
Operating Grants, Contributions, and Interest	1,272,405	1,873,182	(600,777)
Total Program Revenues	<u>\$2,470,365</u>	<u>\$3,005,717</u>	<u>(\$535,352)</u>
			continued

NEW BOSTON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities		Increase/ (Decrease)
	2012	2011	
Revenues			
General Revenues:			
Property Taxes	\$968,593	\$987,071	(\$18,478)
Grants and Entitlements not Restricted to Specific Programs	1,978,582	1,811,979	166,603
Contributions not Restricted to Specific Programs	16,500	2,595	13,905
Investment Earnings	63,478	151,151	(87,673)
Miscellaneous	153,430	184,599	(31,169)
Total General Revenues	<u>3,180,583</u>	<u>3,137,395</u>	<u>43,188</u>
Total Revenues	<u>5,650,948</u>	<u>6,143,112</u>	<u>(492,164)</u>
Program Expenses			
Instruction:			
Regular	2,427,482	2,645,003	(217,521)
Special	821,459	785,075	36,384
Vocational	179	7,328	(7,149)
Student Intervention Services	814	10,084	(9,270)
Support Services:			
Pupils	212,110	192,928	19,182
Instructional Staff	379,598	382,298	(2,700)
Board of Education	14,636	12,061	2,575
Administration	508,180	543,471	(35,291)
Fiscal	186,731	184,418	2,313
Operation and Maintenance of Plant	480,450	457,309	23,141
Pupil Transportation	121,125	112,001	9,124
Central	53,664	56,459	(2,795)
Operation of Non-Instructional Services:			
Food Service Operations	260,309	250,047	10,262
Extracurricular Activities	138,785	106,612	32,173
Interest and Fiscal Charges	167,419	166,748	671
Total Expenses	<u>5,772,941</u>	<u>5,911,842</u>	<u>(138,901)</u>
Change in Net Assets	<u>(121,993)</u>	<u>231,270</u>	<u>(353,263)</u>
Net Assets at Beginning of Year	<u>21,474,764</u>	<u>21,243,494</u>	<u>231,270</u>
Net Assets at End of Year	<u>\$21,352,771</u>	<u>\$21,474,764</u>	<u>(\$121,993)</u>

NEW BOSTON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

Governmental Activities

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues were \$2,470,365 of total revenues for fiscal year 2012. The decrease of \$535,352 is primarily the result of a decrease in federal grants that the School District had received in the prior fiscal year.

As previously mentioned, general revenues were \$3,180,583 of total revenues for fiscal year 2012 and were slightly higher than the prior fiscal year.

As should be expected, instruction costs represent the largest of the School District's expenses, \$3,249,934 for fiscal year 2012. The instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for \$712,833 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$480,450. Regular instruction decreased \$217,521 due primarily to a reduction in programs that had been covered by federal grants in the prior fiscal year. Some costs were absorbed by the General Fund, however some programs were not continued due to the lack of funding.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,180,553 and expenditures of \$16,906,934. The net change in fund balance for the year was most significant in the Classroom Facilities Capital Projects Fund with a decrease of \$2,483,755, which was the result of the School District utilizing both current and prior fiscal years resources that are associated with the School District's ongoing facilities project.

The net change in fund balance for the fiscal year in the General Fund was a decrease of \$266,609. This decrease was the result of a decrease in tax revenues received along with general cost increases and the General Fund absorbing certain costs that were covered by federal grants in the prior fiscal year.

The Bond Retirement Debt Service Fund had an increase in fund balance of \$2,003 during the fiscal year, which is insignificant.

NEW BOSTON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2012, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 17, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

A review of the budgetary comparison statement for the General Fund reflects a decrease of \$29,012 between the original budget and final budget revenues, which is insignificant.

The increase in expenditures from the original to the final budget was \$240,428, which is primarily the result of the General Fund absorbing certain costs that were covered by federal grants in the prior fiscal year.

Actual General Fund revenues and other financing sources were less than expenditures and other financing uses by \$341,477. This resulted from the combination of a decrease in tax revenues collected and the expenditure increases that were explained previously.

Capital Assets

At the end of fiscal year 2012, the School District had \$15,635,990 invested in land, construction in progress, buildings and improvements, furniture, fixtures and equipment, textbooks, and vehicles which represented an increase of \$11,091,249. The increase was mainly due to construction in progress relating to the School District continuing progress on its new facility.

For more information on capital assets, refer to Note 9 in the notes to the basic financial statements.

Debt Administration

At June 30, 2012, the School District had \$3,425,543 in total outstanding debt consisting of School Facilities Construction and Improvement Bonds. At June 30, 2012, The School District's overall legal debt margin was (\$478,974) with an unvoted debt margin of \$29,518. For more information on debt administration, refer to Note 14 of the notes to the basic financial statements.

NEW BOSTON LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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 any questions about this report or need additional information, contact Donna Grimm, Treasurer at New Boston Local School District, #1 Glenwood Tiger Trail, New Boston, Ohio 45662, or email donna.grimm@nbtigers.net.

NEW BOSTON LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$9,867,997
Materials and Supplies Inventory	6,586
Inventory Held for Resale	4,198
Intergovernmental Receivable	921,099
Prepaid Items	13,407
Property Taxes Receivable	1,846,170
Deferred Charges	66,675
Capital Assets:	
Land and Construction in Progress	13,935,983
Depreciable Capital Assets, Net	<u>1,700,007</u>
<i>Total Assets</i>	<u>28,362,122</u>
<u>Liabilities:</u>	
Accounts Payable	41,563
Contracts Payable	1,615,777
Accrued Wages and Benefits Payable	321,165
Intergovernmental Payable	124,644
Accrued Interest Payable	24,633
Deferred Revenue	976,410
Retainage Payable	307,779
Long-Term Liabilities:	
Due Within One Year	89,181
Due in More Than One Year	<u>3,508,199</u>
<i>Total Liabilities</i>	<u>7,009,351</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	13,604,219
Restricted for Debt Service	228,337
Restricted for Capital Outlay	5,578,767
Restricted for Other Purposes	302,650
Unrestricted	<u>1,638,798</u>
<i>Total Net Assets</i>	<u><u>\$21,352,771</u></u>

See accompanying notes to the basic financial statements

NEW BOSTON LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Revenue and Changes in Net Assets
				Total Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$2,427,482	\$1,145,912	\$181,131	(\$1,100,439)
Special	821,459	0	578,487	(242,972)
Vocational	179	0	3,268	3,089
Student Intervention Services	814	0	0	(814)
Support Services:				
Pupils	212,110	0	0	(212,110)
Instructional Staff	379,598	0	233,370	(146,228)
Board of Education	14,636	0	0	(14,636)
Administration	508,180	0	0	(508,180)
Fiscal	186,731	0	0	(186,731)
Operation and Maintenance of Plant	480,450	0	0	(480,450)
Pupil Transportation	121,125	0	17,203	(103,922)
Central	53,664	0	0	(53,664)
Operation of Non-Instructional Services:				
Food Service Operations	260,309	11,461	244,060	(4,788)
Extracurricular Activities	138,785	40,587	14,886	(83,312)
Interest and Fiscal Charges	167,419	0	0	(167,419)
Total Governmental Activities	\$5,772,941	\$1,197,960	\$1,272,405	(3,302,576)
<u>General Revenues:</u>				
Property Taxes Levied for:				
				769,158
				186,332
				13,103
				1,978,582
				16,500
				63,478
				153,430
				3,180,583
				(121,993)
				21,474,764
				\$21,352,771

See accompanying notes to the basic financial statements

NEW BOSTON LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2012

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$1,427,442	\$164,471	\$7,738,422	\$537,662	\$9,867,997
Receivables:					
Property Taxes	1,476,367	345,486	0	24,317	1,846,170
Intergovernmental	0	0	752,132	168,967	921,099
Interfund	22,885	0	0	0	22,885
Prepaid Items	6,267	0	0	7,140	13,407
Materials and Supplies Inventory	6,586	0	0	0	6,586
Inventory Held for Resale	0	0	0	4,198	4,198
Total Assets	\$2,939,547	\$509,957	\$8,490,554	\$742,284	\$12,682,342
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$7,426	\$0	\$23,791	\$10,346	\$41,563
Contracts Payable	0	0	1,513,983	101,794	1,615,777
Accrued Wages and Benefits Payable	222,503	0	0	98,662	321,165
Intergovernmental Payable	98,353	0	0	26,291	124,644
Interfund Payable	0	0	0	22,885	22,885
Retainage Payable	0	0	307,779	0	307,779
Deferred Revenue	1,431,215	333,236	665,716	102,577	2,532,744
Total Liabilities	1,759,497	333,236	2,511,269	362,555	4,966,557
<u>Fund Balances:</u>					
Nonspendable	12,853	0	0	7,140	19,993
Restricted	0	176,721	5,979,285	384,156	6,540,162
Assigned	715,950	0	0	0	715,950
Unassigned (Deficit)	451,247	0	0	(11,567)	439,680
Total Fund Balances	1,180,050	176,721	5,979,285	379,729	7,715,785
Total Liabilities and Fund Balances	\$2,939,547	\$509,957	\$8,490,554	\$742,284	\$12,682,342

See accompanying notes to the basic financial statements

NEW BOSTON LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012

Total Governmental Fund Balances \$7,715,785

*Amounts reported for governmental activities in the
 Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	50,380	
Construction in progress	13,885,603	
Other capital assets	4,644,082	
Accumulated depreciation	<u>(2,944,075)</u>	
Total capital assets		15,635,990

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	811,497	
Intergovernmental	<u>744,837</u>	
		1,556,334

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 66,675

In the Statement of Net Assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is only accrued when due. (24,633)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bond Premium	(71,400)	
Bonds Payable	(3,354,143)	
Compensated absences	<u>(171,837)</u>	
Total liabilities		<u>(3,597,380)</u>

Net Assets of Governmental Activities \$21,352,771

See accompanying notes to the basic financial statements

NEW BOSTON LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$742,670	\$184,237	\$0	\$12,956	\$939,863
Intergovernmental	1,800,474	15,663	7,791,790	1,186,080	10,794,007
Investment Earnings	9,300	707	46,965	6,935	63,907
Tuition and Fees	1,109,912	0	0	0	1,109,912
Extracurricular Activities	0	0	0	40,587	40,587
Rent	36,000	0	0	0	36,000
Charges for Services	0	0	0	11,461	11,461
Contributions and Donations	16,500	0	0	14,886	31,386
Miscellaneous	149,980	0	3,450	0	153,430
<i>Total Revenues</i>	<u>3,864,836</u>	<u>200,607</u>	<u>7,842,205</u>	<u>1,272,905</u>	<u>13,180,553</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	2,100,791	0	0	262,417	2,363,208
Special	399,781	0	0	391,414	791,195
Vocational	179	0	0	0	179
Student Intervention Services	600	0	0	0	600
Support Services:					
Pupils	194,514	0	0	13,080	207,594
Instructional Staff	125,762	0	0	244,391	370,153
Board of Education	14,636	0	0	0	14,636
Administration	495,418	0	0	256	495,674
Fiscal	177,857	5,134	0	361	183,352
Operation and Maintenance of Plant	402,226	0	0	8,290	410,516
Pupil Transportation	107,096	0	0	0	107,096
Central	51,802	0	0	0	51,802
Operation of Non-Instructional Services:					
Food Service Operations	736	0	0	250,251	250,987
Extracurricular Activities	59,996	0	0	54,638	114,634
Capital Outlay	0	0	10,325,960	1,025,878	11,351,838
Debt Service:					
Principal Retirement	0	45,000	0	0	45,000
Interest and Fiscal Charges	0	148,470	0	0	148,470
<i>Total Expenditures</i>	<u>4,131,394</u>	<u>198,604</u>	<u>10,325,960</u>	<u>2,250,976</u>	<u>16,906,934</u>
Excess of Revenues Over (Under) Expenditures	<u>(266,558)</u>	<u>2,003</u>	<u>(2,483,755)</u>	<u>(978,071)</u>	<u>(3,726,381)</u>
<u>Other Financing Sources (Uses):</u>					
Transfers In	0	0	0	51	51
Transfers Out	(51)	0	0	0	(51)
<i>Total Other Financing Sources (Uses)</i>	<u>(51)</u>	<u>0</u>	<u>0</u>	<u>51</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(266,609)</u>	<u>2,003</u>	<u>(2,483,755)</u>	<u>(978,020)</u>	<u>(3,726,381)</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,446,659</u>	<u>174,718</u>	<u>8,463,040</u>	<u>1,357,749</u>	<u>11,442,166</u>
<i>Fund Balances at End of Year</i>	<u>\$1,180,050</u>	<u>\$176,721</u>	<u>\$5,979,285</u>	<u>\$379,729</u>	<u>\$7,715,785</u>

See accompanying notes to the basic financial statements

NEW BOSTON LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds (\$3,726,381)

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	4,352	
Construction in progress additions	11,247,282	
Depreciation expense	<u>(160,385)</u>	
Excess of capital outlay over depreciation expense		11,091,249

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	28,730	
Intergovernmental	<u>(7,558,335)</u>	
		(7,529,605)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:

Amortization of bond issuance costs	(2,667)	
Amortization of bond premium	2,856	
Accretion on Bonds	(19,363)	
Decrease in Accrued Interest	<u>225</u>	
		(18,949)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

Bond payments		45,000
---------------	--	--------

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable	16,147	
Decrease in special termination benefits payable	<u>546</u>	
Total net change		<u>16,693</u>

Change in Net Assets of Governmental Activities (\$121,993)

See accompanying notes to the basic financial statements

NEW BOSTON LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budget Amounts</u>		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$900,000	\$745,409	\$745,409	\$0
Intergovernmental	1,718,200	1,800,474	1,800,474	0
Investment Earnings	7,000	9,300	9,300	0
Tuition and Fees	1,048,500	1,109,912	1,109,912	0
Rent	36,000	36,000	36,000	0
Charges for Services	75,100	16,500	16,500	0
Miscellaneous	110,000	148,193	148,193	0
<i>Total Revenues</i>	<u>3,894,800</u>	<u>3,865,788</u>	<u>3,865,788</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	1,968,620	2,113,147	2,113,147	0
Special	345,776	398,194	398,194	0
Vocational	7,548	179	179	0
Student Intervention Services	0	665	665	0
Support Services:				
Pupils	188,260	202,099	202,099	0
Instructional Staff	135,357	132,869	132,869	0
Board of Education	12,900	14,369	14,369	0
Administration	515,329	518,297	518,297	0
Fiscal	181,457	184,881	184,881	0
Operation and Maintenance of Plant	464,208	486,419	486,419	0
Pupil Transportation	99,766	108,609	108,609	0
Central	51,093	54,179	54,179	0
Operation of Non-Instructional Services:				
Food Service Operations	1,114	736	736	0
Extracurricular Activities	63,762	60,975	60,975	0
<i>Total Expenditures</i>	<u>4,035,190</u>	<u>4,275,618</u>	<u>4,275,618</u>	<u>0</u>
Excess of Revenues Under Expenditures	<u>(140,390)</u>	<u>(409,830)</u>	<u>(409,830)</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	200	7,716	7,716	0
Refund of Prior Year Receipts	(8,890)	0	0	0
Advances In	83,500	83,522	83,522	0
Advances Out	(86,027)	(22,885)	(22,885)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(11,217)</u>	<u>68,353</u>	<u>68,353</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(151,607)	(341,477)	(341,477)	0
<i>Fund Balance at Beginning of Year</i>	1,675,363	1,675,363	1,675,363	0
<i>Prior Year Encumbrances Appropriated</i>	<u>25,315</u>	<u>25,315</u>	<u>25,315</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,549,071</u>	<u>\$1,359,201</u>	<u>\$1,359,201</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

NEW BOSTON LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Fund

June 30, 2012

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$67,166
	<u><u> </u></u>
<u>Liabilities:</u>	
Undistributed Monies	\$20,050
Deposits Held and Due to Others	47,116
	<u> </u>
<i>Total Liabilities</i>	<u><u>\$67,166</u></u>

See accompanying notes to the basic financial statements

NEW BOSTON LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
	Scholarships
<u>Additions:</u>	
Gifts and Donations	\$1,000
<u>Deductions:</u>	
Scholarships	1,500
<i>Change in Net Assets</i>	(500)
<i>Net Assets at Beginning of Year</i>	500
<i>Net Assets at End of Year</i>	\$0

See accompanying notes to the basic financial statements

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The New Boston 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.

The School District was established in 1906 through the consolidation of existing land areas and school districts. The School District serves an area of approximately six square miles. It is located in Scioto County, and includes all of the Village of New Boston. It is staffed by 20 non-certificated employees, 41 certificated teaching personnel and five administrative employees who provide services to 475 students and other community members. The School District currently operates three instructional buildings, one stadium, and one garage.

Reporting Entity

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

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

The School District participates in four organizations, one of which is defined as a jointly governed organization, two as public entity shared risk pools, and one as an insurance purchasing pool. These organizations are presented in Note 16 to the basic financial statements.

Jointly Governed Organization:
South Central Ohio Computer Association

Public Entity Shared Risk Pools:
Optimal Health Initiatives Consortium
Schools of Ohio Risk Sharing Authority

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

Insurance Purchasing Pool:

Ohio SchoolComp Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Boston Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements normally distinguish between those activities that are governmental and those that are considered business-type activities; however, the School District has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into 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 rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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. All funds of the School District fall within two categories: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement Debt Service Fund is established to account for the accumulation of resources for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

Classroom Facilities Fund - The Classroom Facilities Capital Projects Fund is used to account for and report restricted State resources in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the school facilities project.

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

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has three fiduciary funds: a private purpose trust fund used to account for college scholarship programs for students; and two agency funds, which are used to account for student managed activity programs and deductions, which are held as Christmas Club savings, from payroll for the School District's employees.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance and grants.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate requested at fiscal year-end. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over 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, including all supplemental appropriations. Prior to fiscal year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$9,300, which includes \$8,118 assigned from other School District funds.

Investments of the 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.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of materials and supplies held for consumption and purchased food held for resale.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	10 - 20 years
Textbooks	5 - 8 years
Vehicles	5 - 10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable”. These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

The entire compensated absences liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year.

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 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.

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

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The School District applies restricted resources first when expenditures 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 expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Internal Activity

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

Internal allocation of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

In the government-wide financial statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. The liability for capital appreciation bonds is increased each year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable, whereas issuance costs are reported as deferred charges.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the period when the debt is issued. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore, does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element prevents one classification from being overstated while another is understated by the same amount.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - FUND BALANCES

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

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 3 - FUND BALANCES (continued)

Fund Balances	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total
<i>Nonspendable</i>					
Prepays	\$6,267	\$0	\$0	\$7,140	\$13,407
Inventory	6,586	0	0	0	6,586
<i>Total Nonspendable</i>	12,853	0	0	7,140	19,993
<i>Restricted for</i>					
Debt Payment	0	176,721	0	0	176,721
Food Service Operations	0	0	0	102,644	102,644
Classroom Facilities Maintenance	0	0	0	79,439	79,439
Athletics	0	0	0	19,384	19,384
Early Childhood Education	0	0	0	331	331
Education Jobs	0	0	0	1,215	1,215
Race to the Top	0	0	0	15,295	15,295
Reducing Class Size	0	0	0	559	559
Misc. Grants	0	0	0	17,633	17,633
Capital Improvements	0	0	0	147,656	147,656
Classroom Facilities	0	0	5,979,285	0	5,979,285
<i>Total Restricted</i>	0	176,721	5,979,285	384,156	6,540,162
<i>Assigned to</i>					
Other Purposes	715,950	0	0	0	715,950
<i>Unassigned (Deficit)</i>	451,247	0	0	(11,567)	439,680
<i>Total Fund Balances</i>	\$1,180,050	\$176,721	\$5,979,285	\$379,729	\$7,715,785

NOTE 4 - ACCOUNTABILITY

At June 30, 2012, the Title VI-B, STIM Title II-Tech and Title I Special Revenue Funds had deficit fund balances of \$355, \$594 and \$10,618, respectively. The General Fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$266,609)
Adjustments:	
Revenue Accruals	8,668
Expenditure Accruals	(75,983)
Transfers	51
Advances	60,637
Encumbrances	<u>(68,241)</u>
Budget Basis	<u><u>(\$341,477)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances 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. Investments may only be made through specified dealers and institutions.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, all of the School District's bank balance of \$10,237,871 was either covered by the Federal Deposit Insurance Corporation or collateralized with pooled securities held by the pledging financial institution in the manner described below.

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

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax 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 year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected in calendar year 2012 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.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 7 - PROPERTY TAXES (continued)

The School District receives property taxes from Scioto County. The Scioto 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$45,152 in the General Fund, \$861 in the Classroom Facilities Maintenance Fund, and \$12,250 in the Bond Retirement Fund. The amount available as an advance at June 30, 2011, was \$47,891 in the General Fund, \$915 in the Classroom Facilities Maintenance Fund, and \$13,015 in the Bond Retirement Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$26,728,380	86.79%	\$25,158,350	85.23%
Public Utility Personal	4,069,530	13.21%	4,359,880	14.77%
Total Assessed Value	<u>\$30,797,910</u>	<u>100.00%</u>	<u>\$29,518,230</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.45		\$41.45	

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes, intergovernmental grants, and interfund loans. All receivables are considered collectible in full and will be received within one fiscal year with the exception of the property taxes and the Ohio School Facilities Commission Grant. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Ohio School Facilities Commission Grant monies will be collected over the life of the construction of the new facility.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<u>Governmental Activities:</u>	
Ohio School Facilities Commission Grant	\$752,132
Title I	80,967
Education Jobs Grant	9,274
Title IDEA-B, Rural and Low Income	3,234
Title II-A, Improving Teacher Quality	3,931
Ohio Appalachian Collaborative Race to the Top	19,227
Race to the Top	27,571
Teacher Incentive Fund Grant	17,395
Early Childhood Education	7,368
Total Intergovernmental Receivables	<u><u>\$921,099</u></u>

The School District was awarded a grant in the amount of \$16,896,209 on August 4, 2008, from the Ohio School Facilities Commission for the construction of a new Pre-K-12 facility, as well as to demolish the existing instructional buildings.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Deductions	Balance at 6/30/12
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$50,380	\$0	\$0	\$50,380
Construction in Progress	2,638,321	11,247,282	0	13,885,603
Total Capital Assets Not Being Depreciated	2,688,701	11,247,282	0	13,935,983
Capital Assets Being Depreciated:				
Buildings and Improvements	2,316,657	0	0	2,316,657
Furniture, Fixtures and Equipment	1,550,122	4,352	0	1,554,474
Textbooks	486,779	0	0	486,779
Vehicles	286,172	0	0	286,172
Total Capital Assets Being Depreciated	4,639,730	4,352	0	4,644,082
Less Accumulated Depreciation:				
Buildings and Improvements	(887,549)	(75,935)	0	(963,484)
Furniture, Fixtures and Equipment	(1,197,786)	(70,515)	0	(1,268,301)
Textbooks	(486,779)	0	0	(486,779)
Vehicles	(211,576)	(13,935)	0	(225,511)
Total Accumulated Depreciation	(2,783,690)	(160,385) *	0	(2,944,075)
Total Capital Assets Being Depreciated, Net	1,856,040	(156,033)	0	1,700,007
Governmental Activities Capital Assets, Net	<u>\$4,544,741</u>	<u>\$11,091,249</u>	<u>\$0</u>	<u>\$15,635,990</u>

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 9 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$71,806
Special	25,545
Student Intervention Services	214
Support Services:	
Pupils	3,895
Instructional Staff	9,740
Administration	11,594
Fiscal	3,243
Operation and Maintenance of Plant	9,774
Pupil Transportation	13,935
Central	1,133
Operation of Non-Instructional Services:	
Food Service Operations	9,146
Extracurricular Activities	360
Total Depreciation Expense	<u><u>\$160,385</u></u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) (Note 16) for property and fleet insurance.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant change in insurance coverage from last fiscal year.

The School District participates in the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool (Note 16), consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10 - RISK MANAGEMENT (continued)

For fiscal year 2012, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution 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, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$55,540, \$72,215, and \$92,265, respectively. For fiscal year 2012, 91.61 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

State Teachers Retirement System of Ohio

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

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

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

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

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$276,439, \$296,875, and \$270,227, respectively. For fiscal year 2012, 81.49 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions to STRS Ohio for the DC Plan and for fiscal year 2012 were \$21 made by the School District and \$15 made by the plan members. In addition, member contributions of \$3,304 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

NOTE 12 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$11,071 in surcharge.

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

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$13,476, \$18,803, and \$13,162, respectively. For fiscal year 2012, 91.61 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$3,280, \$4,647, and \$5,487, respectively. For fiscal year 2012, 91.61 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$21,265, \$22,837, and \$20,787, respectively. For fiscal year 2012 81.49 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from Board approved employment contracts and State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Unlimited sick leave may be accumulated for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for all employees.

Special Termination Benefits

Any employee who retires may be given an additional severance payment. Employees who have accumulated more than 212 sick leave days receive an additional amount at the rate of .08 percent of their current annual salary for each day accumulated in excess of 212 days. Benefits will be paid upon retirement.

Insurance Benefits

The School District provides life insurance to its employees through Metropolitan Education Council (MEC). The School District also provides health care and dental coverage for its employees with Medical Mutual of Ohio through the Optimal Health Initiatives Consortium, and vision benefits through Vision Service Plan.

Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/11	Additions	Deductions	Amount Outstanding 6/30/12	Amount Due Within One Year
2009 School Facilities Construction and Improvement General Obligation Bonds - 3.0% to 5.0%					
Serial Bonds	\$315,000	\$0	\$45,000	\$270,000	\$50,000
Term Bonds	2,935,000	0	0	2,935,000	0
Capital Appreciation Bonds	107,336	0	0	107,336	0
Accretion on Capital Appreciation Bonds	22,444	19,363	0	41,807	0
Unamortized Premium	74,256	0	2,856	71,400	0
Compensated Absences	187,984	29,713	45,860	171,837	39,181
Special Termination Benefits	546	0	546	0	0
Total General Long-Term Obligations	<u>\$3,642,566</u>	<u>\$49,076</u>	<u>\$94,262</u>	<u>\$3,597,380</u>	<u>\$89,181</u>

On July 8, 2009, the School District issued \$3,462,336 in general obligation bonds for the purpose of paying off the December 2008 bond anticipation notes. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$420,000, \$2,935,000, and \$107,336, respectively. The bonds were issued for a 28 year period with first maturity at November 1, 2009, and final maturity at November 1, 2036.

The serial bonds issued at \$420,000 and with final maturity dates after November 1, 2018, are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after November 1, 2018, at the redemption price of 100 percent.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The term bonds were issued at \$2,935,000. The term bonds that mature on November 1, 2036, are subject to mandatory sinking fund redemption on November 1, 2020, November 1, 2022, November 1, 2024, November 1, 2026, November 1, 2029, November 1, 2034, and November 1, 2036, at 100 percent of the principal amount thereof plus accrued interest to the date of redemptions according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2021	\$225,000
2023	240,000
2025	265,000
2027	285,000
2030	485,000
2035	975,000
2037	460,000
Total	<u><u>\$2,935,000</u></u>

The capital appreciation bonds, issued at \$107,336, are not subject to prior redemption. The fiscal year 2012 accretion amount was \$19,363. The remaining capital appreciation bonds will mature November 1, 2016, through 2018 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2017	\$100,000
2018	110,000
2019	110,000
Total	<u><u>\$320,000</u></u>

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the School District's outstanding debt at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$50,000	\$147,045	\$0	\$0	\$0	\$0
2014	65,000	145,320	0	0	0	0
2015	75,000	143,220	0	0	0	0
2016	80,000	140,795	0	0	0	0
2017	0	0	0	139,495	38,200	61,800
2018-2022	0	0	345,000	676,437	69,136	150,864
2023-2027	0	0	670,000	553,321	0	0
2028-2032	0	0	845,000	376,268	0	0
2033-2037	0	0	1,075,000	139,375	0	0
Totals	\$270,000	\$576,380	\$2,935,000	\$1,884,896	\$107,336	\$212,664

As of June 30, 2012, \$110,438 of the debt proceeds had been spent toward the project.

Compensated absences will be paid from the General Fund, Food Service, Early Childhood Education, Education Jobs, Title VI-B, Title I, Title IIA, and Miscellaneous Federal Grants Special Revenue Funds. Special termination benefits will be paid from the General Fund.

The School District's overall legal debt margin was (\$478,974) with an unvoted debt margin of \$29,518 at June 30, 2012. Ohio Revised Code section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's portion of Ohio School Facilities construction project costs. The School District submitted the issuance of the School Construction Bonds to the electors prior to the adoption of H.B. 530. In addition, H.B. 530 now excludes tangible personal property used in business, telephone, or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations from the definition of tax valuation for the purpose of calculating the legal debt margin for school districts.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 15 - INTERFUND ACTIVITY

Advances

Interfund balances at June 30, 2012, consist of the following individual interfund receivable and payable:

		Receivable
		<u>General Fund</u>
Payable	Other Governmental Funds	<u>\$22,885</u>

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

Transfers

For fiscal year 2012, General Fund transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 16 - JOINTLY GOVERNED ORGANIZATION, PUBLIC ENTITY SHARED RISK POOLS, AND INSURANCE PURCHASING POOL

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$7,744 for membership fees during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 16 - JOINTLY GOVERNED ORGANIZATION, PUBLIC ENTITY SHARED RISK POOLS, AND INSURANCE PURCHASING POOL (continued)

Optimal Health Initiatives Consortium

The School District is a member of the Optimal Health Initiatives Consortium (the “Consortium”), a public entity shared risk pool, consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium’s economies of scale to create cost-savings. The Council’s business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division’s board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242.

Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of 62 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The School District pays an annual premium to SORSA for this coverage. The self-insured retention by SORSA is \$16,869 for property and automobile physical damage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

Ohio SchoolComp Workers’ Compensation Group Rating Plan

The School District participates in the Ohio SchoolComp Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the Group Rating Plan. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 17 - SET-ASIDE CALCULATIONS

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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	<u>Capital Acquisitions</u>
Set-aside Balance as of June 30, 2011	\$0
Current Fiscal Year Set-aside Requirement	74,577
Current year Offsets	(84,277)
Qualifying Disbursements	<u>(49,911)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$59,611)</u>
Set-aside Balance as of June 30, 2012	<u><u>\$0</u></u>

Although the School District had offsets and qualifying expenditures during the fiscal year that exceeded the requirement, the carryover amount for the capital acquisitions set-aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$3,038,818 at June 30, 2012. In previous years, the School District was required to have a textbook set aside requirement. Effective July 1, 2011, House Bill 30 of the 129th General Assembly repealed the textbook requirement.

NOTE 18 - LEASE

During fiscal year 2010, the School District entered into an operating lease with Nextel Spectrum Acquisition Corporation (Nextel) for the right to use the School District's four Educational Broadband Service channels. The lease automatically renews in five year increments, which includes an increase in the monthly lease payments for each five year renewal. The monthly lease payment and one-time lump sum payment is refundable to Nextel on a pro rata basis if the contract is terminated, or the bandwidth, megahertz, Geographical Service Area (GSA) and population decreases during the life of the lease. The lease payments to the School District are receipted into the General Fund. During fiscal year 2012, the School District received \$36,000 in lease payments.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 19 - CONSTRUCTION COMMITMENTS

The School District contracted for constructing its new Pre-K-12 facility, as well as to demolish the existing instructional buildings. The outstanding construction commitments at June 30, 2012, are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At June 30, 2012</u>
Legat and Kingston	\$1,084,380	\$963,447	\$120,933
Hill International	1,109,063	884,960	224,103
Mechanical Construction	2,748,200	2,242,750	505,450
Accurate Electric	1,673,848	1,410,518	263,330
Central Fire Protection	137,727	111,477	26,250
R W Setterlin	10,435,873	7,839,571	2,596,302
NOR-COM, Inc.	847,495	87,990	759,505
Total	<u>\$18,036,586</u>	<u>\$13,540,713</u>	<u>\$4,495,873</u>

NOTE 20 - CONTINGENCIES

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the affect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

The School District is not party to any legal proceedings.

NEW BOSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 21 – SUBSEQUENT EVENT

Effective July 1, 2012, the School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association. SCOCACoG is a council of governments providing computer services to its members of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. SCOCACoG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

NOTE 22 – ENCUMBRANCE COMMITMENTS

At June 30, 2012, the School District had encumbrance commitments in governmental funds as follows:

General Fund	\$68,241
Classroom Facilities	8,050,576
Other Governmental Funds:	
Building	24,806
Athletics	388
Race to the Top	3,695
IDEA-B	1,900
Title I	4,500
Miscellaneous Federal	2,554
Total Governmental Funds	<u>37,843</u>
Total All Funds	<u><u>\$8,156,660</u></u>

See also Note 19 for significant contractual commitments.

New Boston Local School District
Scioto County
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$86,780	\$0	\$86,780	\$0
National School Lunch Program	3L60	10.555	142,272	10,047	142,272	10,047
Total Child Nutrition Cluster			229,052	10,047	229,052	10,047
Total United States Department of Agriculture			229,052	10,047	229,052	10,047
<u>United States Department of Education</u>						
<i>Passed through the Ohio Department of Education</i>						
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	348,744	0	335,468	0
Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	4,001	0	18,050	0
Total Title I Cluster			352,745	0	353,518	0
Special Education Grants to States	3M20	84.027	91,863	0	92,868	0
Education Jobs	3ET0	84.410	117,764	0	109,169	0
Educational Technology State Grants	3S20	84.318	1,781	0	2,375	0
Reading First State Grants	3Y40	84.357	16,661	0	41,316	0
Improving Teacher Quality State Grants	3Y60	84.367	49,171	0	49,583	0
Teacher Incentive Fund, Recovery Act	3EC0	84.385	103,194	0	58,472	0
State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	154,104	0	103,636	0
Total United States Department of Education			887,283	0	810,937	0
Total Federal Financial Assistance			\$1,116,335	\$10,047	\$1,039,989	\$10,047

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

New Boston Local School District
Scioto County
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2012

Note 1 – Significant Accounting Policies

The accompanying schedule of federal awards expenditures includes the federal grant activity of the School District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
New Boston Local School District
#1 Glenwood Tiger Trail
New Boston, Ohio 45662

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Boston Local School District, Scioto County (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding 2012-1.

New Boston Local School District
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

We noted certain matters that we reported to management of the School District in a separate letter dated December 28, 2012.

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

This report is intended solely for the information and use of management, the Board of Education, others within the School District, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 28, 2012

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Education
New Boston Local School District
#1 Glenwood Tiger Trail
New Boston, Ohio 45662

Compliance

We have audited New Boston Local School District's, Scioto County, (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

New Boston Local School District
Scioto County

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Page 2

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, others within the School District, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 28, 2012

New Boston Local School District
Scioto County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>		
Type of financial statement opinion:		Unqualified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		Yes
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:		Unqualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Title I Cluster (CFDA #84.010 and #84.389) State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants, Recovery Act (CFDA #84.395)
Dollar threshold used to distinguish between type A and type B programs:		Type A: >\$300,000 Type B: all others
Auditee qualified as low-risk auditee?		Yes

Section II – Financial Statement Findings

Finding 2012-1

Noncompliance – Appropriations in Excess of Available and Estimated Resources

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the Treasurer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency between estimated resources and available resources will reduce available resources below the current level of appropriation. Ohio Revised Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated resources. The School District incurred appropriations in excess of available and estimated resources in its Classroom Facilities Fund during the fiscal year. As a result, the District was at risk of spending in excess of available resources had it actually spent up to its current level of appropriation. The District was also at risk for spending in excess of authorized amounts. The School District should incorporate the appropriate monitoring procedures and request a reduced amended certificate, and correspondingly reduce appropriations, if a deficiency is identified, and should also monitor budgets to ensure appropriations are limited only to amounts estimated and available for spending.

New Boston Local School District
Scioto County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2012

Finding 2012-1 (Continued)

Noncompliance – Appropriations in Excess of Available and Estimated Resources (Continued)

Client Response:

Our construction manager suggested we pay all expenses from the Classroom Facilities Fund and that an adjustment would be made at the end of the project to appropriately charge expenses to the Building Fund. Those adjustments should be made in fiscal year 2013 and will resolve this issue.

Section III – Federal Award Findings and Questioned Costs
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None

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Dave Yost • Auditor of State

NEW BOSTON LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2013**