

New Boston Local School District  
Scioto County  
Single Audit  
July 1, 2006 Through June 30, 2007  
Fiscal Year Audited Under GAGAS: 2007

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
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Mary Taylor, CPA  
Auditor of State

Board of Education  
New Boston Local School District  
522 Glenwood Avenue  
P.O. Box 3711  
New Boston, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the New Boston Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 19, 2008

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New Boston Local School District

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

Members of the Board  
New Boston Local School District  
P.O. Box 3711  
New Boston, Ohio 45662

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the New Boston Local School District, Clermont County, Ohio, (the School District) as of and for the year ended June 30, 2007, 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 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2007, and the respective changes in financial position, where applicable, 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 14, 2007 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Balestra, Harr & Scherer, CPAs, Inc.

December 14, 2007

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

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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, 2007. 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 increased \$451,239, which represents a 17 percent increase from fiscal year 2006.

Total assets of governmental activities increased by \$446,702, which represents a 10 percent increase from fiscal year 2006.

General revenues accounted for \$2,906,747 or 57 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,157,773 or 43 percent of total revenues of \$5,064,520.

The School District had \$4,613,281 in expenses related to governmental activities; only \$2,157,773 of these expenses were offset by program specific charges for services and sales, operating and capital grants, contributions, and interest. General revenues (primarily grants, entitlements and property taxes) of \$2,906,747 were 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 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 and the Emergency School Repair Capital Projects Fund.



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

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**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 2007?”

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 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 7. 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.

**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 Statements of Activities) and governmental funds is reconciled in the financial statements.

**Fiduciary Funds** – The School District has two fiduciary funds, which are agency funds. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

**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 2007 and 2006:

(Table 1)  
Net Assets

|                            | Governmental Activities |                    |                         |
|----------------------------|-------------------------|--------------------|-------------------------|
|                            | 2007                    | Restated<br>2006   | Increase/<br>(Decrease) |
| <b>Assets</b>              |                         |                    |                         |
| Current Assets             | \$2,841,434             | \$3,076,986        | (\$235,552)             |
| Capital Assets             | 1,885,035               | 1,202,781          | 682,254                 |
| Total Assets               | <u>4,726,469</u>        | <u>4,279,767</u>   | <u>446,702</u>          |
| <b>Liabilities</b>         |                         |                    |                         |
| Long-Term Liabilities      | 129,449                 | 143,440            | (13,991)                |
| Other Liabilities          | 1,551,392               | 1,541,938          | 9,454                   |
| Total Liabilities          | <u>1,680,841</u>        | <u>1,685,378</u>   | <u>(4,537)</u>          |
| <b>Net Assets</b>          |                         |                    |                         |
| Invested in Capital Assets | 1,885,035               | 1,202,781          | 682,254                 |
| Restricted                 | 312,393                 | 964,111            | (651,718)               |
| Unrestricted               | 848,200                 | 427,497            | 420,703                 |
| Total Net Assets           | <u>\$3,045,628</u>      | <u>\$2,594,389</u> | <u>\$451,239</u>        |

Total assets of governmental activities increased by \$446,702. Capital assets increased by \$682,254 due primarily to an elevator installation and various renovations at the high school being completed and the installation of new windows at the primary and intermediate schools. Equity in Pooled Cash and Cash Equivalents of governmental activities decreased \$273,125, which resulted from an increase in expenditures for capital improvements. Intergovernmental Receivables decreased by \$308,742 due to the remaining Federal Emergency Repair Grant monies being received in the current year.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

Current liabilities increased by \$9,454 and long-term liabilities decreased by \$13,991 for a net decrease of \$4,537 for total liabilities, which is not significant.

Invested in Capital Assets for governmental activities increased by \$682,254 and Restricted Net Assets decreased by \$651,718 due primarily to an elevator installation and various renovations at the high school being completed and the installation of new windows at the primary and intermediate schools. Unrestricted Net Assets for governmental activities increased by \$420,703.

Table 2 shows the highlights of the School District's revenues and expenses for fiscal years 2007 and 2006. 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

|  | Governmental Activities |                    | Increase/<br>(Decrease) |
|--|-------------------------|--------------------|-------------------------|
|  | 2007                    | Restated<br>2006   |                         |
| <b>Revenues</b>  |                         |                    |                         |
| Program Revenues:  |                         |                    |                         |
| Charges for Services and Sales                                 | \$941,821               | \$1,117,506        | (\$175,685)             |
| Operating Grants, Contributions, and Interest                  | 1,210,973               | 1,099,788          | 111,185                 |
| Capital Grants and Contributions                               | 4,979                   | 1,024              | 3,955                   |
| Total Program Revenues   | <u>2,157,773</u>        | <u>2,218,318</u>   | <u>(60,545)</u>         |
| General Revenues:  |                         |                    |                         |
| Property Taxes Levied for General Purposes                     | 1,289,186               | 1,172,203          | 116,983                 |
| Grants and Entitlements not<br>Restricted to Specific Programs | 1,445,889               | 2,475,781          | (1,029,892)             |
| Contributions not Restricted to Specific Programs              | 19,522                  | 12,764             | 6,758                   |
| Investment Earnings  | 54,765                  | 15,534             | 39,231                  |
| Miscellaneous  | 97,385                  | 77,132             | 20,253                  |
| Total General Revenues   | <u>2,906,747</u>        | <u>3,753,414</u>   | <u>(846,667)</u>        |
| Total Revenues   | <u>\$5,064,520</u>      | <u>\$5,971,732</u> | <u>(\$907,212)</u>      |

(continued)

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

(Table 2)  
Change in Net Assets  
(continued)

|  | Governmental Activities   |                           | Increase/<br>(Decrease) |
|--|---------------------------|---------------------------|-------------------------|
|  | 2007                      | Restated<br>2006          |                         |
| <b>Program Expenses</b>                  |                           |                           |                         |
| Instruction:                             |                           |                           |                         |
| Regular                                  | \$2,068,599               | \$2,010,869               | \$57,730                |
| Special                                  | 526,310                   | 479,136                   | 47,174                  |
| Student Intervention Services            | 84,968                    | 39,286                    | 45,682                  |
| Support Services:                        |                           |                           |                         |
| Pupils                                   | 143,754                   | 124,678                   | 19,076                  |
| Instructional Staff                      | 324,704                   | 332,024                   | (7,320)                 |
| Board of Education                       | 17,388                    | 20,485                    | (3,097)                 |
| Administration                           | 451,249                   | 442,887                   | 8,362                   |
| Fiscal                                   | 198,519                   | 166,776                   | 31,743                  |
| Operation and Maintenance of Plant       | 452,019                   | 429,188                   | 22,831                  |
| Pupil Transportation                     | 53,985                    | 54,611                    | (626)                   |
| Central                                  | 7,446                     | 7,406                     | 40                      |
| Operation of Non-Instructional Services: |                           |                           |                         |
| Food Service Operations                  | 180,944                   | 152,988                   | 27,956                  |
| Other                                    | 8,503                     | 1,629                     | 6,874                   |
| Extracurricular Activities               | 94,893                    | 97,078                    | (2,185)                 |
| Total Expenses                           | <u>4,613,281</u>          | <u>4,359,041</u>          | <u>254,240</u>          |
| Increase in Net Assets                   | 451,239                   | 1,612,691                 | (1,161,452)             |
| Net Assets at Beginning of Year          | <u>2,594,389</u>          | <u>981,698</u>            | <u>1,612,691</u>        |
| Net Assets at End of Year                | <u><u>\$3,045,628</u></u> | <u><u>\$2,594,389</u></u> | <u><u>\$451,239</u></u> |

**Governmental Activities**

Grants and Entitlements not Restricted to Specific Programs made up 29 percent of revenues for governmental activities of the New Boston Local School District for fiscal year 2007. Property Tax revenue made up 25 percent of the total revenue for governmental activities for a total of 54 percent of all revenue coming from property taxes and grants and entitlements not restricted to specific programs.

Grants and Entitlements not Restricted to Specific Programs decreased by \$1,029,892. This decrease is due to the Federal Emergency Repair Grant that was received in the prior year. Charges for Services and Sales decreased by \$175,685, due primarily to a decrease in open enrollment.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

Regular Instruction comprises 45 percent of governmental program expenses. Support Services expenses make up 36 percent of governmental expenses.

Student intervention services increased by \$45,682, which resulted from additional tutors being hired.

The Statement of Activities shows the cost of program services and the charges for services and sales along with capital and operating grants, including contributions and interest, offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

(Table 3)

Governmental Activities

|  | Total Cost<br>of Services<br>2007 | Total Cost<br>of Services<br>2006 | Net Cost<br>of Services<br>2007 | Net Cost<br>of Services<br>2006 |
|--|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Instruction                              | \$2,679,877                       | \$2,529,291                       | \$777,784                       | \$784,527                       |
| Support Services                         | 1,649,064                         | 1,578,055                         | 1,632,260                       | 1,397,868                       |
| Operation of Non-Instructional Services: |                                   |                                   |                                 |                                 |
| Food Service Operations                  | 180,944                           | 152,988                           | (25,899)                        | (25,305)                        |
| Other                                    | 8,503                             | 1,629                             | 8,503                           | 1,629                           |
| Extracurricular Activities               | 94,893                            | 97,078                            | 62,860                          | 53,940                          |
| Total Expenses                           | <u>\$4,613,281</u>                | <u>\$4,359,041</u>                | <u>\$2,455,508</u>              | <u>\$2,212,659</u>              |

**The School District's Funds**

Information about the School District's major fund starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,847,699 and expenditures of \$5,309,526. The net change in fund balance for the year in the General Fund was an increase of \$225,661. This increase was a result of the School District continuing to monitor current year expenditures. As a result, total current year revenues exceeded total current year expenditures. The net change in fund balance for the Emergency School Repair Fund was a decrease of \$733,932, due primarily to the remainder of the prior year projects for an elevator installation and various renovations at the high school being completed, and the installation of new windows at the primary and intermediate schools.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

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**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 2007, 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 16, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final estimated revenues were \$3,245,060 with original estimated revenue of \$3,504,098, a difference of three percent. This difference was primarily due to less property tax revenue being collected than originally estimated.

Final estimated expenditures were \$3,160,971 with original estimated expenditures of \$3,267,958, a difference of three percent. This difference was due to an anticipated increase in health insurance premiums that did not occur during fiscal year 2007.

**Capital Assets**

At the end of fiscal year 2007 the School District had \$1,885,035 invested in land, buildings and improvements, furniture, fixtures and equipment, and textbooks. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006:

(Table 4)  
Capital Assets at June 30  
(Net of Depreciation)

|                                   | Governmental Activities |                    |
|-----------------------------------|-------------------------|--------------------|
|                                   | 2007                    | 2006               |
| Land                              | \$21,303                | \$19,543           |
| Construction in Progress          | 0                       | 354,889            |
| Buildings and Improvements        | 1,651,998               | 604,291            |
| Furniture, Fixtures and Equipment | 199,215                 | 207,962            |
| Textbooks                         | 12,519                  | 16,096             |
| Totals                            | <u>\$1,885,035</u>      | <u>\$1,202,781</u> |

Net Capital Assets increased from the prior year. This increase was due primarily to the remainder of the prior year projects for an elevator installation and various renovations at the high school being completed, and the installation of new windows at the primary and intermediate schools.

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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

**Current Issues**

During fiscal year 2007, the School District completed their Federal Emergency Repair Grant projects. The projects consisted of new doors, a new front entrance and elevator at Glenwood High School, and new windows at the Stanton Primary School and the Oak Intermediate School.

Stanton Primary School progressed sufficiently to be awarded a second year of Reading 1<sup>st</sup> grant monies. Progress is based on a progress monitoring book and an external evaluation. Stanton Primary School did well in both areas and has qualified for the third year of the grant.

In late spring of 2007, the School District was awarded a CORE Grant to add extra resources in the areas of Math and Science.

**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, 522 Glenwood Avenue, New Boston, Ohio 45662, or email [dgrimm@newboston.k12.oh.us](mailto:dgrimm@newboston.k12.oh.us).

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Statement of Net Assets

June 30, 2007

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b><u>Assets:</u></b>                      |                                    |
| Equity in Pooled Cash and Cash Equivalents | \$734,015                          |
| Materials and Supplies Inventory           | 21,175                             |
| Intergovernmental Receivable               | 207,278                            |
| Prepaid Items                              | 4,184                              |
| Property Taxes Receivable                  | 1,874,782                          |
| Capital Assets:                            |                                    |
| Land                                       | 21,303                             |
| Depreciable Capital Assets, Net            | <u>1,863,732</u>                   |
| <i>Total Assets</i>                        | <u>4,726,469</u>                   |
| <b><u>Liabilities:</u></b>                 |                                    |
| Accounts Payable                           | 2,359                              |
| Accrued Wages and Benefits Payable         | 281,208                            |
| Intergovernmental Payable                  | 113,892                            |
| Deferred Revenue                           | 1,153,933                          |
| Long-Term Liabilities:                     |                                    |
| Due Within One Year                        | 40,039                             |
| Due in More Than One Year                  | <u>89,410</u>                      |
| <i>Total Liabilities</i>                   | <u>1,680,841</u>                   |
| <b><u>Net Assets:</u></b>                  |                                    |
| Invested in Capital Assets                 | 1,885,035                          |
| Restricted for Capital Outlay              | 117                                |
| Restricted for Other Purposes              | 184,630                            |
| Restricted for Set-Asides                  | 127,646                            |
| Unrestricted                               | <u>848,200</u>                     |
| <i>Total Net Assets</i>                    | <u><u>\$3,045,628</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, 2007

|  | Expenses           | Program Revenues                     |   |  | Net (Expense)                        |
|--|--------------------|--------------------------------------|---|--|--------------------------------------|
|  |                    | Charges<br>for Services<br>and Sales | Operating Grants,<br>Contributions,<br>and Interest | Capital<br>Grants and<br>Contributions | Revenue and Changes<br>in Net Assets |
|  |                    |                                      |   |  | Total<br>Governmental<br>Activities  |
| <b><u>Governmental Activities:</u></b>   |                    |                                      |   |  |                                      |
| Instruction:                             |                    |                                      |   |  |                                      |
| Regular                                  | \$2,068,599        | \$891,123                            | \$580,924   | \$2,952                                | (\$593,600)                          |
| Special                                  | 526,310            | 0                                    | 424,602   | 0                                      | (101,708)                            |
| Vocational                               | 0                  | 0                                    | 2,492   | 0                                      | 2,492                                |
| Student Intervention Services            | 84,968             | 0                                    | 0   | 0                                      | (84,968)                             |
| Support Services:                        |                    |                                      |   |  |                                      |
| Pupils                                   | 143,754            | 0                                    | 5,713   | 0                                      | (138,041)                            |
| Instructional Staff                      | 324,704            | 0                                    | 4,064   | 0                                      | (320,640)                            |
| Board of Education                       | 17,388             | 0                                    | 0   | 0                                      | (17,388)                             |
| Administration                           | 451,249            | 0                                    | 0   | 0                                      | (451,249)                            |
| Fiscal                                   | 198,519            | 0                                    | 0   | 0                                      | (198,519)                            |
| Operation and Maintenance of Plant       | 452,019            | 0                                    | 0   | 0                                      | (452,019)                            |
| Pupil Transportation                     | 53,985             | 0                                    | 0   | 2,027                                  | (51,958)                             |
| Central                                  | 7,446              | 0                                    | 5,000   | 0                                      | (2,446)                              |
| Operation of Non-Instructional Services: |                    |                                      |   |  |                                      |
| Food Service Operations                  | 180,944            | 21,588                               | 185,255   | 0                                      | 25,899                               |
| Other                                    | 8,503              | 0                                    | 0   | 0                                      | (8,503)                              |
| Extracurricular Activities               | 94,893             | 29,110                               | 2,923   | 0                                      | (62,860)                             |
| <b>Total Governmental Activities</b>     | <b>\$4,613,281</b> | <b>\$941,821</b>                     | <b>\$1,210,973</b>                                  | <b>\$4,979</b>                         | <b>(2,455,508)</b>                   |
| <b><u>General Revenues:</u></b>          |                    |                                      |   |  |                                      |
|  |                    |                                      |   |  | 1,289,186                            |
|  |                    |                                      |   |  | 1,445,889                            |
|  |                    |                                      |   |  | 19,522                               |
|  |                    |                                      |   |  | 54,765                               |
|  |                    |                                      |   |  | 97,385                               |
|  |                    |                                      |   |  | <u>2,906,747</u>                     |
|  |                    |                                      |   |  | 451,239                              |
|  |                    |                                      |   |  | <u>2,594,389</u>                     |
|  |                    |                                      |   |  | <u><u>\$3,045,628</u></u>            |

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds  
June 30, 2007

|  | <u>General</u>            | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------------|---|---|
| <b><u>Assets:</u></b>                        |                           |   |   |
| Equity in Pooled Cash and Cash Equivalents   | \$476,732                 | \$129,637                               | \$606,369                               |
| Restricted Assets:                           |                           |   |   |
| Equity in Pooled Cash and Cash Equivalents   | 127,646                   | 0                                       | 127,646                                 |
| Receivables:                                 |                           |   |   |
| Property Taxes                               | 1,874,782                 | 0                                       | 1,874,782                               |
| Intergovernmental                            | 0                         | 207,278                                 | 207,278                                 |
| Interfund                                    | 41,360                    | 0                                       | 41,360                                  |
| Prepaid Items                                | 4,184                     | 0                                       | 4,184                                   |
| Materials and Supplies Inventory             | 16,838                    | 4,337                                   | 21,175                                  |
| <i>Total Assets</i>                          | <u><u>\$2,541,542</u></u> | <u><u>\$341,252</u></u>                 | <u><u>\$2,882,794</u></u>               |
| <b><u>Liabilities and Fund Balances:</u></b> |                           |   |   |
| <b><u>Liabilities:</u></b>                   |                           |   |   |
| Accounts Payable                             | \$2,359                   | \$0                                     | \$2,359                                 |
| Accrued Wages and Benefits Payable           | 201,845                   | 79,363                                  | 281,208                                 |
| Intergovernmental Payable                    | 95,641                    | 18,251                                  | 113,892                                 |
| Interfund Payable                            | 0                         | 41,360                                  | 41,360                                  |
| Deferred Revenue                             | 1,767,623                 | 70,117                                  | 1,837,740                               |
| <i>Total Liabilities</i>                     | <u><u>2,067,468</u></u>   | <u><u>209,091</u></u>                   | <u><u>2,276,559</u></u>                 |
| <b><u>Fund Balances:</u></b>                 |                           |   |   |
| Reserved for Encumbrances                    | 10,308                    | 9,864                                   | 20,172                                  |
| Reserved for Property Taxes                  | 87,000                    | 0                                       | 87,000                                  |
| Reserved for Capital Acquisitions            | 127,646                   | 0                                       | 127,646                                 |
| Unreserved, Undesignated, Reported in:       |                           |   |   |
| General Fund                                 | 249,120                   | 0                                       | 249,120                                 |
| Special Revenue Funds                        | 0                         | 122,297                                 | 122,297                                 |
| <i>Total Fund Balances</i>                   | <u><u>474,074</u></u>     | <u><u>132,161</u></u>                   | <u><u>606,235</u></u>                   |
| <i>Total Liabilities and Fund Balances</i>   | <u><u>\$2,541,542</u></u> | <u><u>\$341,252</u></u>                 | <u><u>\$2,882,794</u></u>               |

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, 2007

**Total Governmental Fund Balances** \$606,235

*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                     | 21,303      |           |
| Other capital assets     | 4,405,931   |           |
| Accumulated depreciation | (2,542,199) |           |
| Total capital assets     | 1,885,035   | 1,885,035 |

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 | 613,690 |         |
| Intergovernmental         | 70,117  |         |
|                           | 683,807 | 683,807 |

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

|                              |           |           |
|------------------------------|-----------|-----------|
| Compensated absences         | (117,278) |           |
| Special termination benefits | (12,171)  |           |
| Total liabilities            | (129,449) | (129,449) |

**Net Assets of Governmental Activities** \$3,045,628

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, 2007

|   | General          | Emergency<br>School Repair | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------------|----------------------------|--------------------------------|--------------------------------|
| <b><u>Revenues:</u></b>   |                  |                            |                                |                                |
| Property Taxes  | \$1,098,186      | \$0                        | \$0                            | \$1,098,186                    |
| Intergovernmental   | 1,233,243        | 0                          | 1,395,619                      | 2,628,862                      |
| Investment Earnings   | 53,899           | 0                          | 3,147                          | 57,046                         |
| Tuition and Fees  | 891,123          | 0                          | 0                              | 891,123                        |
| Extracurricular Activities  | 0                | 0                          | 29,110                         | 29,110                         |
| Charges for Services  | 0                | 0                          | 21,588                         | 21,588                         |
| Contributions and Donations                                       | 21,398           | 0                          | 3,001                          | 24,399                         |
| Miscellaneous   | 97,385           | 0                          | 0                              | 97,385                         |
| <i>Total Revenues</i>   | <u>3,395,234</u> | <u>0</u>                   | <u>1,452,465</u>               | <u>4,847,699</u>               |
| <b><u>Expenditures:</u></b>                                       |                  |                            |                                |                                |
| Current:  |                  |                            |                                |                                |
| Instruction:  |                  |                            |                                |                                |
| Regular   | 1,556,126        | 0                          | 502,760                        | 2,058,886                      |
| Special   | 198,514          | 0                          | 315,836                        | 514,350                        |
| Student Intervention Services                                     | 0                | 0                          | 84,968                         | 84,968                         |
| Support Services:   |                  |                            |                                |                                |
| Pupils  | 138,048          | 0                          | 4,759                          | 142,807                        |
| Instructional Staff   | 67,648           | 0                          | 248,625                        | 316,273                        |
| Board of Education  | 17,388           | 0                          | 0                              | 17,388                         |
| Administration  | 460,385          | 0                          | 5,393                          | 465,778                        |
| Fiscal  | 181,683          | 0                          | 11,778                         | 193,461                        |
| Operation and Maintenance of Plant                                | 442,177          | 726,599                    | 0                              | 1,168,776                      |
| Pupil Transportation  | 49,515           | 0                          | 2,067                          | 51,582                         |
| Central   | 2,446            | 0                          | 5,000                          | 7,446                          |
| Operation of Non-Instructional Services:                          |                  |                            |                                |                                |
| Food Service Operations   | 0                | 0                          | 177,400                        | 177,400                        |
| Other   | 854              | 0                          | 7,649                          | 8,503                          |
| Extracurricular Activities  | 54,789           | 0                          | 39,786                         | 94,575                         |
| Capital Outlay  | 0                | 7,333                      | 0                              | 7,333                          |
| <i>Total Expenditures</i>   | <u>3,169,573</u> | <u>733,932</u>             | <u>1,406,021</u>               | <u>5,309,526</u>               |
| <i>Net Change in Fund Balances</i>                                | 225,661          | (733,932)                  | 46,444                         | (461,827)                      |
| <i>Fund Balances at Beginning of Year - Restated (See Note 3)</i> | <u>248,413</u>   | <u>733,932</u>             | <u>85,717</u>                  | <u>1,068,062</u>               |
| <i>Fund Balances at End of Year</i>                               | <u>\$474,074</u> | <u>\$0</u>                 | <u>\$132,161</u>               | <u>\$606,235</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, 2007

**Net Change in Fund Balances - Total Governmental Funds** (\$461,827)

*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                           | 561,285   |         |
| Construction in progress additions                 | 240,922   |         |
| Depreciation expense                               | (104,286) |         |
| Excess of capital outlay over depreciation expense |           | 697,921 |

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets are removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

|                                    |  |          |
|------------------------------------|--|----------|
| Loss on disposal of capital assets |  | (15,667) |
|------------------------------------|--|----------|

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 | 191,000 |         |
| Intergovernmental         | 25,821  |         |
|                           |         | 216,821 |

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         | 13,160 |        |
| Decrease in special termination benefits payable | 831    |        |
| Total decrease                                   |        | 13,991 |

**Change in Net Assets of Governmental Activities** \$451,239

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, 2007

|   | <u>Budget Amounts</u> |                  |                  | Variance With<br>Final Budget<br>Over/(Under) |
|---|-----------------------|------------------|------------------|---|
|   | <u>Original</u>       | <u>Final</u>     | <u>Actual</u>    |   |
| <b><u>Revenues:</u></b>                       |                       |                  |                  |   |
| Property Taxes                                | \$1,199,000           | \$1,252,750      | \$1,089,515      | (\$163,235)                                   |
| Intergovernmental                             | 1,238,564             | 1,070,438        | 1,231,643        | 161,205                                       |
| Investment Earnings                           | 54,202                | 46,844           | 53,899           | 7,055   |
| Tuition and Fees                              | 896,130               | 774,487          | 891,123          | 116,636                                       |
| Contributions and Donations                   | 21,518                | 18,597           | 21,398           | 2,801   |
| Miscellaneous                                 | 94,684                | 81,944           | 94,284           | 12,340  |
| <i>Total Revenues</i>                         | <u>3,504,098</u>      | <u>3,245,060</u> | <u>3,381,862</u> | <u>136,802</u>                                |
| <b><u>Expenditures:</u></b>                   |                       |                  |                  |   |
| Current:                                      |                       |                  |                  |   |
| Instruction:                                  |                       |                  |                  |   |
| Regular                                       | 1,270,214             | 1,102,916        | 1,102,916        | 0   |
| Special                                       | 195,434               | 198,358          | 198,358          | 0   |
| Other   | 405,739               | 443,244          | 443,244          | 0   |
| Support Services:                             |                       |                  |                  |   |
| Pupils  | 130,317               | 136,439          | 136,439          | 0   |
| Instructional Staff                           | 101,556               | 67,664           | 67,664           | 0   |
| Board of Education                            | 22,113                | 10,786           | 10,786           | 0   |
| Administration                                | 437,154               | 462,192          | 462,192          | 0   |
| Fiscal  | 174,180               | 186,503          | 186,503          | 0   |
| Operation and Maintenance of Plant            | 417,635               | 440,420          | 440,420          | 0   |
| Pupil Transportation                          | 53,356                | 53,931           | 53,931           | 0   |
| Central                                       | 2,505                 | 2,453            | 2,453            | 0   |
| Operation of Non-Instructional Services:      |                       |                  |                  |   |
| Other   | 1,648                 | 854              | 854              | 0   |
| Extracurricular Activities                    | 56,107                | 55,211           | 55,211           | 0   |
| <i>Total Expenditures</i>                     | <u>3,267,958</u>      | <u>3,160,971</u> | <u>3,160,971</u> | <u>0</u>                                      |
| Excess of Revenues Over Expenditures          | <u>236,140</u>        | <u>84,089</u>    | <u>220,891</u>   | <u>136,802</u>                                |
| <b><u>Other Financing Sources (Uses):</u></b> |                       |                  |                  |   |
| Refund of Prior Year Expenditures             | 130                   | 3,140            | 3,140            | 0   |
| Advances Out                                  | 0                     | (39,799)         | (39,799)         | 0   |
| <i>Total Other Financing Sources (Uses)</i>   | <u>130</u>            | <u>(36,659)</u>  | <u>(36,659)</u>  | <u>0</u>                                      |
| <i>Net Change in Fund Balance</i>             | 236,270               | 47,430           | 184,232          | 136,802                                       |
| <i>Fund Balance at Beginning of Year</i>      | 386,521               | 386,521          | 386,521          | 0   |
| <i>Prior Year Encumbrances Appropriated</i>   | <u>18,564</u>         | <u>18,564</u>    | <u>18,564</u>    | <u>0</u>                                      |
| <i>Fund Balance at End of Year</i>            | <u>\$641,355</u>      | <u>\$452,515</u> | <u>\$589,317</u> | <u>\$136,802</u>                              |

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2007

**Assets:**

|  |                        |
|--|------------------------|
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$56,840</u></u> |
|--|------------------------|

**Liabilities:**

|                      |          |
|----------------------|----------|
| Undistributed Monies | \$23,409 |
|----------------------|----------|

|                                 |               |
|---------------------------------|---------------|
| Deposits Held and Due to Others | <u>33,431</u> |
|---------------------------------|---------------|

|                          |                        |
|--------------------------|------------------------|
| <i>Total Liabilities</i> | <u><u>\$56,840</u></u> |
|--------------------------|------------------------|

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, 2007

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**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 6 square miles. It is located in Scioto County, and includes all of the Village of New Boston. It is staffed by 17 non-certificated employees, 39 certificated full-time teaching personnel and 5 administrative employees who provide services to 414 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 insure 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 six organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk pool, and four as insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Pilasco-Ross Special Education Regional Resource Center, the Scioto County Schools Council, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 16, 17 and 18 to the basic financial statements.



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**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.

**A. 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 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 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, 2007

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**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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. 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.

Emergency School Repair Capital Projects Fund – To account for all intergovernmental monies received and expended in connection with urgent school repairs and renovations. Authorized activities include technology activities related to school renovations and necessary renovations for handicapped individuals. These grants are administered by the Ohio School Facilities Commission.

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, 2007

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**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 two fiduciary funds that are agency funds. The agency funds are used to account for student managed activity programs and deductions, which are held as savings, from payroll for the School District's employees.

**C. 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.

**D. 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, 2007

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**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 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 sixty 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, 2007, but which were levied to finance fiscal year 2008 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, 2007

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**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.

**E. 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 in effect at the time the final appropriations were passed. 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 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, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**F. 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.

During fiscal year 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio).

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$53,899, which includes \$13,098 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.

**G. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for capital acquisitions. See Note 19 for additional information regarding set-asides.

**H. Inventory**

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

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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.

**J. 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 five hundred dollars. 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.

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           |

**K. 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.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**L. 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.

**M. Accrued Liabilities and Long-Term Obligations**

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

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.

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, and capital acquisitions.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**O. 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.

The government-wide Statement of Net Assets reports \$312,393 of restricted net assets, none of which is restricted by enabling legislation.

**P. Internal Activity**

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

**Q. 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 - RESTATEMENT OF FUND BALANCE AND NET ASSETS**

During fiscal year 2007, a fund was reclassified as an agency fund. This reclassification resulted in the following changes to the General Fund balance and net assets for June 30, 2006:

|                                   |                         |
|-----------------------------------|-------------------------|
|                                   | <u>General Fund</u>     |
| Fund Balance at 6/30/06           | \$277,312               |
| Fund Reclassification             | (28,899)                |
| Fund Balance at 6/30/06, Restated | <u><u>\$248,413</u></u> |

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 3 - RESTATEMENT OF FUND BALANCE AND NET ASSETS** (continued)

|                                 | Governmental<br>Activities | Fiduciary       |
|---------------------------------|----------------------------|-----------------|
| Net Assets at 6/30/06           | \$2,623,288                | \$26,969        |
| Fund Reclassification           | (28,899)                   | 28,899          |
| Net Assets at 6/30/06, Restated | <u>\$2,594,389</u>         | <u>\$55,868</u> |

**NOTE 4 - ACCOUNTABILITY**

At June 30, 2007, the Title VI-B and Title II-A Special Revenue Funds had deficit fund balances of \$205 and \$80, 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.

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. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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

|                      |                  |
|----------------------|------------------|
| GAAP Basis           | \$225,661        |
| Adjustments:         |                  |
| Revenue Accruals     | (10,232)         |
| Expenditure Accruals | 23,663           |
| Advances             | (39,799)         |
| Encumbrances         | (15,061)         |
| Budget Basis         | <u>\$184,232</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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or 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.

*Investments:* As of June 30, 2007, the School District had the following investment:

|          | <u>Fair Value</u> | <u>Average Maturity</u> |
|----------|-------------------|-------------------------|
| STAROhio | <u>\$125,348</u>  | 38.56 days              |

*Interest Rate Risk:* Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District's policy requires that, to the extent possible, the Treasurer will attempt to match investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions. The maximum maturity of any eligible instrument is five years from the settlement date, unless the investment is matched to a specified obligation or debt of the School District. Any investment made must be purchased with reasonable expectation to be held to maturity.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

*Credit Risk:* Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy does not address credit risk.

**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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date.

Assessed values for real property taxes are established by State law at thirty-five 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This fiscal year, however, the June 2007 tangible personal property tax was not received until July 2007.

***NEW BOSTON LOCAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 7 - PROPERTY TAXES** (continued)

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 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 and tangible personal property taxes which are measurable as of June 30, 2007, 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 and the late tangible personal property tax settlement were 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.

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 is deferred.

The amount available as an advance at June 30, 2007, was \$87,000 in the General Fund. The amount available as an advance at June 30, 2006, was \$98,488 in the General Fund. The late June personal property tax settlement was recorded as revenue in the General Fund in the amount of \$20,159.

The assessed values upon which fiscal year 2007 taxes were collected are:

|   | 2006 Second-<br>Half Collections |                | 2007 First-<br>Half Collections |                |
|---|----------------------------------|----------------|---------------------------------|----------------|
|   | Amount                           | Percent        | Amount                          | Percent        |
| Real Estate                                   | \$23,695,900                     | 68.97%         | \$23,752,900                    | 72.42%         |
| Public Utility Personal                       | 3,847,970                        | 11.20%         | 3,814,230                       | 11.63%         |
| General Business Personal                     | 6,811,754                        | 19.83%         | 5,232,743                       | 15.95%         |
| Total Assessed Value                          | <u>\$34,355,624</u>              | <u>100.00%</u> | <u>\$32,799,873</u>             | <u>100.00%</u> |
| Tax rate per \$1,000 of<br>assessed valuation | \$41.54                          |                | \$41.84                         |                |

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2007, consisted of property taxes and intergovernmental grants. Most receivables are considered collectible in full and will be received within one fiscal year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

**NOTE 8 - RECEIVABLES** (continued)

A summary of the principal items of intergovernmental receivables follows:

|                                       | <u>Amounts</u>          |
|---------------------------------------|-------------------------|
| <u>Governmental Activities:</u>       |                         |
| Core Grant                            | \$12,978                |
| Title I                               | 86,351                  |
| Reading First                         | 79,518                  |
| Title IDEA-B, Rural and Low Income    | 4,454                   |
| Title VI-B, Rural and Low Income      | 3,222                   |
| Title II-A, Improving Teacher Quality | 4,833                   |
| Lunchroom Reimbursement               | 15,922                  |
| Total Intergovernmental Receivables   | <u><u>\$207,278</u></u> |

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

|  | <u>Balance at</u><br><u>6/30/06</u> | <u>Additions</u>   | <u>Deductions</u> | <u>Balance at</u><br><u>6/30/07</u> |
|--|-------------------------------------|--------------------|-------------------|-------------------------------------|
| <u>Governmental Activities</u>             |                                     |                    |                   |                                     |
| Capital Assets Not Being Depreciated:      |                                     |                    |                   |                                     |
| Land                                       | \$19,543                            | \$1,760            | \$0               | \$21,303                            |
| Construction in Progress                   | 354,889                             | 240,922            | (595,811)         | 0                                   |
| Total Capital Assets Not Being Depreciated | <u>374,432</u>                      | <u>242,682</u>     | <u>(595,811)</u>  | <u>21,303</u>                       |
| Capital Assets Being Depreciated:          |                                     |                    |                   |                                     |
| Buildings and Improvements                 | 1,161,749                           | 1,096,011          | (15,700)          | 2,242,060                           |
| Furniture, Fixtures and Equipment          | 1,439,769                           | 59,325             | 0                 | 1,499,094                           |
| Textbooks                                  | 486,779                             | 0                  | 0                 | 486,779                             |
| Vehicles                                   | 177,998                             | 0                  | 0                 | 177,998                             |
| Total Capital Assets Being Depreciated     | <u>\$3,266,295</u>                  | <u>\$1,155,336</u> | <u>(\$15,700)</u> | <u>\$4,405,931</u>                  |

(continued)



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

**NOTE 9 - CAPITAL ASSETS** (continued)

|  | <u>Balance at</u><br><u>6/30/06</u> | <u>Additions</u>       | <u>Deductions</u>      | <u>Balance at</u><br><u>6/30/07</u> |
|--|-------------------------------------|------------------------|------------------------|-------------------------------------|
| <u>Governmental Activities</u>                     |                                     |                        |                        |                                     |
| Less Accumulated Depreciation:                     |                                     |                        |                        |                                     |
| Buildings and Improvements                         | (\$557,458)                         | (\$32,637)             | \$33                   | (\$590,062)                         |
| Furniture, Fixtures and Equipment                  | (1,231,807)                         | (68,072)               | 0                      | (1,299,879)                         |
| Textbooks  | (470,683)                           | (3,577)                | 0                      | (474,260)                           |
| Vehicles   | <u>(177,998)</u>                    | <u>0</u>               | <u>0</u>               | <u>(177,998)</u>                    |
| Total Accumulated Depreciation                     | <u>(2,437,946)</u>                  | <u>(104,286) *</u>     | <u>33</u>              | <u>(2,542,199)</u>                  |
| <br>Total Capital Assets Being<br>Depreciated, Net | <br><u>828,349</u>                  | <br><u>1,051,050</u>   | <br><u>(15,667)</u>    | <br><u>1,863,732</u>                |
| <br>Governmental Activities<br>Capital Assets, Net | <br><u>\$1,202,781</u>              | <br><u>\$1,293,732</u> | <br><u>(\$611,478)</u> | <br><u>\$1,885,035</u>              |

\* Depreciation expense was charged to governmental functions as follows:

|  |                  |
|--|------------------|
| Instruction:                             |                  |
| Regular                                  | \$49,143         |
| Special                                  | 22,584           |
| Support Services:                        |                  |
| Pupils                                   | 2,473            |
| Instructional Staff                      | 10,716           |
| Administration                           | 6,187            |
| Fiscal                                   | 1,915            |
| Operation and Maintenance of Plant       | 4,191            |
| Pupil Transportation                     | 3,562            |
| Operation of Non-Instructional Services: |                  |
| Food Service Operations                  | 3,197            |
| Extracurricular Activities               | 318              |
| Total Depreciation Expense               | <u>\$104,286</u> |

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**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 2007, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) (Note 18) for property and fleet insurance. The types and amounts of coverage follow:

|   |              |
|---|--------------|
| Building and Contents replacement cost (\$1,000 deductible) | \$20,562,235 |
| Earthquake Limit (\$1,000 deductible)                       | 2,000,000    |
| Flood Limit (\$1,000 deductible)                            | 2,000,000    |
| Automobile Liability  | 1,000,000    |
| Uninsured Motorists   | 1,000,000    |
| Underinsured Motorists                                      | 1,000,000    |

During fiscal year 2007, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 18). The types and amounts of coverage follow:

Educational General Liability Coverage Form:

|   |             |
|---|-------------|
| Bodily Injury and Property Damage Limit - Each Occurrence and Sexual Abuse Injury Limit - Each Sexual Abuse Offense | \$1,000,000 |
| Personal and Advertising Injury Limit - Each Offense  | 1,000,000   |
| Loss of Electronic Data Limit-Each Electronic Data Incident   | 50,000      |
| Fire Damage Limit   | 500,000     |
| Medical Expense - Any One Person Limit  | 10,000      |
| Medical Expense - Each Accident Limit   | 10,000      |
| General Aggregate Limit   | 3,000,000   |
| Products - Completed Operations Aggregate Limit   | 1,000,000   |

Employee Benefits Liability Coverage Endorsement - Claims Made:

|                    |           |
|--------------------|-----------|
| Each Offense Limit | 1,000,000 |
| Aggregate Limit    | 3,000,000 |

Employer's Liability - Stop Gap Coverage Endorsement:

|   |           |
|---|-----------|
| Bodily Injury by Accident - Each Accident | 1,000,000 |
| Bodily Injury by Disease                  | 1,000,000 |
| Bodily Injury by Disease - Each Employee  | 1,000,000 |

Educational Legal Liability Coverage - Claims Made (\$2,500 deductible):

|  |           |
|--|-----------|
| Errors and Omissions Injury Limit              | 1,000,000 |
| Errors and Omissions Injury Aggregate Limit    | 3,000,000 |
| Employment Practices - Each Wrongful Act Limit | 1,000,000 |
| Employment Practices Injury Aggregate Limit    | 3,000,000 |

(continued)

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 10 - RISK MANAGEMENT** (continued)

Excess Liability Coverage:

Educational General Liability:

|   |             |
|---|-------------|
| Bodily Injury and Property Damage Limit - Each Occurrence | \$2,000,000 |
| Personal and Advertising Injury Limit - Each Offense      | 2,000,000   |
| General Aggregate Limit                                   | 2,000,000   |
| Products - Complete Operations Aggregate Limit            | 2,000,000   |

Employee Benefits Liability - Claims Made:

|   |           |
|---|-----------|
| Employee Benefits Injury - Each Offense Limit | 2,000,000 |
| Employee Benefits Injury - Aggregate Limit    | 2,000,000 |

Educational Legal Liability - Claims Made:

|   |           |
|---|-----------|
| Errors and Omissions Injury Limit           | 2,000,000 |
| Errors and Omissions Injury Aggregate Limit | 2,000,000 |

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 is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 17), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan. All claims and expenses shall be paid from the funds of the Council.

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). 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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. 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.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$63,506, \$71,454, and \$44,317, respectively; 48.48 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**B. State Teachers Retirement System of Ohio**

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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$248,705, \$255,918, and \$212,167, respectively; 82.03 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$250 made by the School District and \$315 made by the plan members.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$19,131 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$30,748.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants eligible to receive health care benefits.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 13 - EMPLOYEE BENEFITS**

**A. 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 ten to twenty 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.

**B. 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, none of which is due within one year.

**C. Life Insurance**

The School District provides its employees with life insurance through SunLife, health and dental insurance through the Scioto County Schools Council, and vision benefits through Vision Service Plan.

**D. 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, 2007

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

|                                     | Amount<br>Outstanding<br>6/30/06 | Additions       | Deductions      | Amount<br>Outstanding<br>6/30/07 | Amount<br>Due Within<br>One Year |
|-------------------------------------|----------------------------------|-----------------|-----------------|----------------------------------|----------------------------------|
| Compensated Absences                | \$130,438                        | \$49,846        | \$63,006        | \$117,278                        | \$40,039                         |
| Special Termination Benefits        | 13,002                           | 912             | 1,743           | 12,171                           | 0                                |
| Total General Long-Term Obligations | <u>\$143,440</u>                 | <u>\$50,758</u> | <u>\$64,749</u> | <u>\$129,449</u>                 | <u>\$40,039</u>                  |

Compensated absences will be paid from the General Fund and the Food Service, Title I, Title II-A, Title VI-B, and Miscellaneous Federal Grants Special Revenue Funds. Special termination benefits will be paid from the General Fund and the Title I Special Revenue Fund.

The School District's overall legal debt margin was \$2,412,946 with an unvoted debt margin of \$26,811 at June 30, 2007.

**NOTE 15 - INTERFUND ACTIVITY**

Interfund balances at June 30, 2007, consist of the following individual interfund receivable and payable:

|                |                    | <b>Receivable</b>   |
|----------------|--------------------|---------------------|
|                |                    | <u>General Fund</u> |
| <b>Payable</b> | Other              |                     |
|                | Governmental Funds | <u>\$41,360</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.



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**A. 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 \$5,681 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.

**B. Pilasco-Ross Special Education Regional Resource Center**

The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a Board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Shawnee State University, and Ross-Pike, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Gary Dutey, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 17 - PUBLIC ENTITY SHARED RISK POOL**

**C. Scioto County Schools Council**

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Schools Council. The overall objectives of the Council are to formulate and administer programs of health and dental insurance for the benefit of the Council members' employees and their dependents, to obtain lower costs for health and dental coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts.

The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

**D. 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 sixty-two 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 \$100,000 for property and automobile physical damage and \$250,000 for third-party liability. Reinsurance is purchased to cover claims exceeding these amounts and for all claims related to equipment breakdown coverage.

**NOTE 18 - INSURANCE PURCHASING POOLS**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Board Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 18 - INSURANCE PURCHASING POOLS** (continued)

**B. Ohio School Plan**

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a thirteen member Board of Directors consisting of school district superintendents and treasurers, as well as Dave Harcum, an independent consultant of Hylant Group, Inc., and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims.

**NOTE 19 - 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 purchase of textbooks and other instructional materials and an equal amount 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 textbooks and instructional materials and capital acquisitions. Disclosure of this information is required by State statute.

|  | Textbooks and<br>Instructional<br>Materials | Capital<br>Acquisitions |
|--|---|-------------------------|
| Set-aside Reserve Balance as of June 30, 2006            | (\$37,869)                                  | \$112,533               |
| Current Fiscal Year Set-aside Requirement                | 64,651                                      | 64,651                  |
| Qualifying Disbursements                                 | (32,541)                                    | (49,538)                |
| Set-aside Balance Carried Forward to Future Fiscal Years | (\$5,759)                                   | \$127,646               |
| Set-aside Reserve Balance as of June 30, 2007            | <u>\$127,646</u>                            | <u>\$127,646</u>        |

The School District had qualifying disbursements during the fiscal year that reduced the textbooks and instructional materials set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years.

***NEW BOSTON LOCAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**B. Litigation**

The School District settled two court cases during fiscal year 2007. The disposition of the legal proceedings had no material effect on the financial condition of the School District.

New Boston Local School District  
Scioto County  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2007

| Federal Grantor/<br>Pass Through Grantor/<br>Program Title    | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts     | Non-Cash<br>Receipts | Disbursements | Non-Cash<br>Disbursements |
|---|----------------------------------|---------------------------|--------------|----------------------|---------------|---------------------------|
| <b>United States Department of Agriculture</b>                |                                  |                           |              |                      |               |                           |
| <i>Passed through Ohio Department of Education</i>            |                                  |                           |              |                      |               |                           |
| <i>Nutrition Cluster:</i>                                     |                                  |                           |              |                      |               |                           |
| National School Breakfast Program                             | 05PU                             | 10.553                    | 41,042       | -                    | 41,042        | -                         |
| National School Lunch Program                                 | LLP4                             | 10.555                    | 105,541      | -                    | 105,541       | -                         |
| Total Nutrition Cluster                                       |                                  |                           | 146,583      | -                    | 146,583       | -                         |
| Food Distribution Program                                     | NA                               | 10.550                    | \$ -         | \$ 13,686            | \$ -          | \$ 13,686                 |
| <b>Total United States Department of Agriculture</b>          |                                  |                           | 146,583      | 13,686               | 146,583       | 13,686                    |
| <b>United States Department of Education</b>                  |                                  |                           |              |                      |               |                           |
| <i>Directly Funded:</i>                                       |                                  |                           |              |                      |               |                           |
| <i>Passed through Ohio Department of Education:</i>           |                                  |                           |              |                      |               |                           |
| Title I Grants to Local Education Agencies                    | C1S1                             | 84.010                    | 235,841      | -                    | 242,990       | -                         |
| Special Education Grants to States                            | 6BSF                             | 84.027                    | 96,659       | -                    | 100,997       | -                         |
| Safe & Drug Free Schools and Communities - State Grants       | DRS1                             | 84.186                    | 4,759        | -                    | 4,759         | -                         |
| State Grants for Innovative Programs                          | C2S1                             | 84.298                    | 764          | -                    | 764           | -                         |
| Education Technology State Grants                             | TJS1                             | 84.318                    | 2,650        | -                    | 2,650         | -                         |
| Improving Teacher Quality - State Grants                      | TRS1                             | 84.367                    | 46,752       | -                    | 50,521        | -                         |
| Reading First State Grants                                    | RSS1                             | 84.357                    | 372,196      | -                    | 411,124       | -                         |
| Rural Education   | RUS1                             | 84.358                    | 13,027       | -                    | 12,755        | -                         |
| Total Passed Through Ohio Department of Education             |                                  |                           | 772,648      | -                    | 826,560       | -                         |
| <i>Passed Through the Ohio Schools Facilities Commission:</i> |                                  |                           |              |                      |               |                           |
| Federal Emergency Repair Fund                                 | ATS3                             | 84.352                    | 410,531      | -                    | 879,913       | -                         |
| <i>Passed Through Job and Family Services:</i>                |                                  |                           |              |                      |               |                           |
| Temporary Assistance Needy Families                           | NA                               | 93.558                    | 41,446       | -                    | 41,151        | -                         |
| <b>Total United States Department of Education</b>            |                                  |                           | 1,224,625    | -                    | 1,747,624     | -                         |
| <b>Total Federal Financial Assistance</b>                     |                                  |                           | \$ 1,371,208 | \$ 13,686            | \$ 1,894,207  | \$ 13,686                 |

NA - Pass through entity number not available  
See Notes to the Schedule of Federal Awards Expenditures.

**NEW BOSTON LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
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Ohio Society of Certified Public Accountants

**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***

New Boston Local School District  
P.O. Box 3711  
New Boston, Ohio 45662

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Boston Local School District, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2007. 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**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

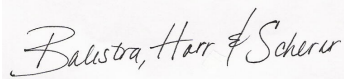
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiency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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

The 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 District's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, members of the Board, and 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.



Balestra, Harr & Scherer, CPAs, Inc.

December 14, 2007



# BALESTRA, HARR & SCHERER CPAs, INC.

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## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

New Boston Local School District  
P.O. Box 3371  
New Boston, Ohio 45662

### **Compliance**

We have audited the compliance of the New Boston Local School District, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The District's major federal program is 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 its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance.

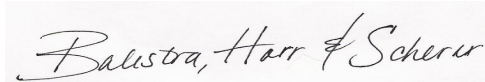
**Internal Control Over Compliance (Continued)**

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, members of the Board, and 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.



Balestra, Harr & Scherer, CPAs, Inc.

December 14, 2007

**New Boston Local School District**  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 Section .505  
 For the Fiscal Year Ended June 30, 2007

**SUMMARY OF AUDITOR'S RESULTS**

|              |  |   |
|--------------|--|---|
| (d)(1)(i)    | Type of Financial Statement Opinion  | Unqualified                                 |
| (d)(1)(ii)   | Were there any material control weakness conditions reported at the financial statement level (GAGAS)?         | No  |
| (d)(1)(ii)   | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No  |
| (d)(1)(iii)  | Was there any reported noncompliance at the financial statement level (GAGAS)?                                 | No  |
| (d)(1)(iv)   | Were there any material internal control weakness conditions reported for major federal programs?              | No  |
| (d)(1)(iv)   | Were there any other reportable internal control weakness conditions reported for major federal programs?      | No  |
| (d)(1)(v)    | Type of Major Programs' Compliance Opinion   | Unqualified                                 |
| (d)(1)(vi)   | Are there any reportable findings under section .510?  | No  |
| (d)(1)(vii)  | Major Programs (list):   | Federal Emergency Repair Fund, CFDA #84.352 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs  | Type A: > \$300,000<br>Type B: all others   |
| (d)(1)(ix)   | Low Risk Auditee?  | Yes   |

**New Boston Local School District**  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 Section .505  
For the Fiscal Year Ended June 30, 2007

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

None

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



**Mary Taylor, CPA**  
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  
MARCH 6, 2008**