



Mary Taylor, CPA
Auditor of State

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Newton Local School District
Miami County
201 North Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, (the District), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Newton Local School District, Miami County, as of June 30, 2009 and 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the years 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 March 10, 2010, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 10, 2010

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The management's discussion and analysis of the Newton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities increased \$1,065,566, a 7.62% increase from 2008.
- General revenues accounted for \$5,875,276 in revenue or 84.82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,051,861 or 15.18% of total revenues of \$6,927,137.
- The District had \$5,861,571 in expenses related to governmental activities; \$1,051,861 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements of \$5,875,276) were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$5,228,408 in revenues and \$4,825,288 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$403,120 from \$987,469 to \$1,390,589.
- The District's classroom facilities fund had \$5,414,941 in revenues and \$1,922,626 in expenditures. During fiscal year 2009, the classroom facilities fund increased \$3,492,315 from a fund balance of \$8,384,317 to a balance of \$11,876,632.

Using these Basic Financial Statements

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund and classroom facilities fund.

Governmental Funds

Most of the 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 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 financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-49 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2009 and 2008.

	Governmental Activities 2009	Governmental Activities 2008
	<hr/>	<hr/>
Assets:		
Current and other assets	\$21,059,085	\$21,477,773
Capital assets, net	5,385,954	3,534,269
Total assets	<hr/> 26,445,039	<hr/> 25,012,042
Liabilities:		
Current liabilities	2,715,265	2,272,076
Long-term liabilities	8,671,227	8,746,985
Total liabilities	<hr/> 11,386,492	<hr/> 11,019,061
Net Assets:		
Invested in capital assets, net of related debt	5,127,422	2,207,247
Restricted	8,800,978	11,092,974
Unrestricted	1,130,147	692,760
Total net assets	<hr/> <hr/> \$15,058,547	<hr/> <hr/> \$13,992,981

During fiscal year 2009, capital assets increased and net assets restricted for capital projects decreased due to the District's OSFC construction project.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$15,058,547. Of this total, \$8,800,978 is restricted in use.

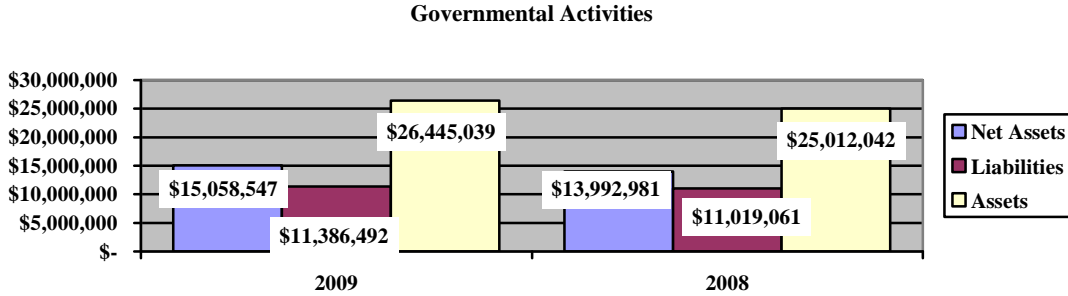
At year-end, capital assets represented 20.37% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$5,127,422. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

A portion of the District's net assets, \$8,800,978 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,130,147 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2009 and 2008:



The table below shows the change in net assets for fiscal year 2009 and 2008.

	Change in Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
Revenues:		
Program revenues:		
Charges for services and sales	\$ 589,600	\$ 581,157
Operating grants and contributions	457,700	527,051
Capital grants and contributions	4,561	147,923
General revenues:		
Property taxes	1,876,229	1,467,667
School district income taxes	1,179,732	1,173,260
Grants and entitlements not restricted	2,463,069	2,404,023
Grants and entitlements restricted		10,969,011
Investment earnings	355,413	89,232
Other	833	2,497
Total revenues	6,927,137	17,361,821
Expenses:		
Program expenses:		
Instruction:		
Regular	2,564,840	2,392,552
Special	431,899	431,765
Vocational	1,392	1,832
Other	8,686	5,496

(Continued)

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

**Change in Net Assets
(Continued)**

	Governmental Activities 2009	Governmental Activities 2008
Expenses:		
Program expenses: (Continued)		
Support services:		
Pupil	254,206	215,349
Instructional staff	187,859	271,473
Board of education	8,686	8,793
Administration	721,071	626,738
Fiscal	225,532	205,010
Business	975	1,495
Operations and maintenance	397,709	377,701
Pupil transportation	257,910	261,229
Central	4,377	1,214
Operations of non-instructional services:		
Food service operations	158,053	137,163
Other non-instructional services	5,100	10,158
Extracurricular activities	221,239	221,493
Interest and fiscal charges	412,037	357,943
Total expenses	5,861,571	5,527,404
Change in net assets	1,065,566	11,834,417
Net assets at beginning of year	13,992,981	2,158,564
Net assets at end of year	\$15,058,547	\$13,992,981

Governmental Activities

Net assets of the District's governmental activities increased \$1,065,566. Total governmental expenses of \$5,861,571 were offset by program revenues of \$1,051,861 and general revenues of \$5,875,276. Program revenues supported 17.95% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants. These revenue sources represent 79.67% of total governmental revenue. The overall decrease in revenue in 2009 is due to the recognition of the Ohio Schools Facilities Commission grant of \$10,969,011 in fiscal year 2008 to be used for the construction of a new school building.

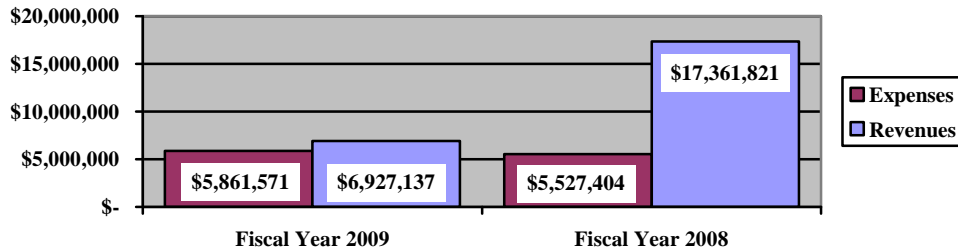
The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,006,817 or 51.30% of total governmental expenses for fiscal 2009.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2009 and 2008.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted grants and entitlements.

	Governmental Activities			
	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$2,564,840	\$2,104,679	\$2,392,552	\$1,788,174
Special	431,899	154,805	431,765	178,885
Vocational	1,392	(5,534)	1,832	(2,391)
Other	8,686	8,686	5,496	5,496
Support services:				
Pupil	254,206	250,248	215,349	215,349
Instructional staff	187,859	187,859	271,473	192,308
Board of education	8,686	8,686	8,793	8,793
Administration	721,071	679,187	626,738	585,427
Fiscal	225,532	224,032	205,010	203,510
Business	975	975	1,495	1,495
Operations and maintenance	397,709	397,188	377,701	352,231
Pupil transportation	257,910	242,061	261,229	247,631
Central	4,377	(5,886)	1,214	(263)
Operations of non-instructional services:				
Food service operations	158,053	(5,478)	137,163	(26,296)
Other non-instructional services	5,100	(6,858)	10,158	6,751
Extracurricular activities	221,239	163,023	221,493	156,230
Interest and fiscal charges	412,037	412,037	357,943	357,943
Total expenses	\$5,861,571	\$4,809,710	\$5,527,404	\$4,271,273

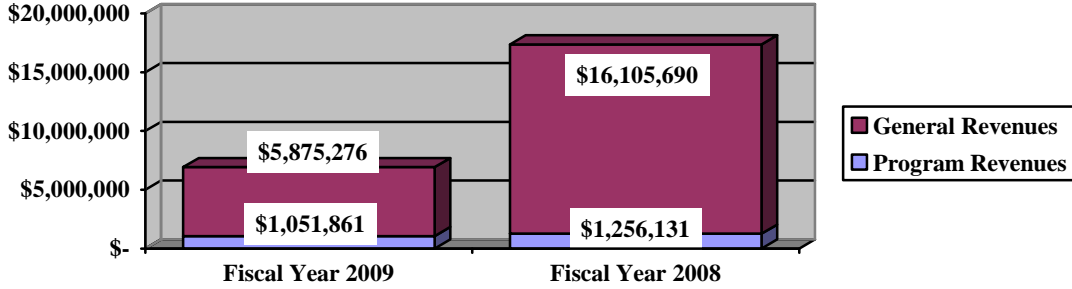
The dependence upon tax and other general revenues for governmental activities is apparent, 75.25% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.05%.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

The graph below presents the District's governmental activities revenue for fiscal year 2009 and 2008.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$14,455,042 which is higher than last year's total of \$10,211,574. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase	Percentage Change	
General	\$ 1,390,589	\$ 987,469	\$ 403,120	40.82	%
Classroom Facilities	11,876,632	8,384,317	3,492,315	41.65	%
Other Governmental	1,187,821	839,788	348,033	41.44	%
Total	\$14,455,042	\$10,211,574	\$4,243,468	41.56	%

Non-major governmental funds increased as a result of an approximate \$210,000 increase in property tax receipts from the prior year. The increase in fund balance of the classroom facilities fund is due to the increase in receipts of intergovernmental revenues related to the Ohio School Facilities construction project of around \$2,800,000.

General Fund

The District's general fund balance increased \$403,120 due to increased taxes and tuition revenues. Earnings on investments were down due to lower interest rates on the District's investments. While the percentage decrease of other local revenues, which consist of rentals, was 57.51%, the dollar amount was insignificant.

Support services increased \$156,164 and can be attributed to salary/wage increases. Overall expenditures increased \$102,827 or 2.18% and remain comparable to the prior year. All other expenditure line item variances are deemed immaterial and do not warrant further analysis.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2009 Amount	2008 Amount	Increase / (Decrease)	Percentage Change	
Revenues:					
Taxes	\$2,355,908	\$2,201,523	\$154,385	7.01	%
Tuition	365,301	350,083	15,218	4.35	%
Earnings on investments	27,949	53,620	(25,671)	(47.88)	%
Intergovernmental	2,477,896	2,499,226	(21,330)	(0.85)	%
Other revenues	1,354	3,187	(1,833)	(57.51)	%
Total	5,228,408	5,107,639	120,769	2.36	%
Expenditures:					
Instruction	,690,837	2,748,300	(57,463)	(2.09)	%
Support services	1,987,313	1,831,149	156,164	8.53	%
Non-instructional services		7,358	(7,358)	(100.00)	%
Extracurricular activities	147,138	35,654	11,484	8.47	%
Total	\$4,825,288	\$4,722,461	\$102,827	2.18	%

Classroom Facilities Fund

The District's classroom facilities fund had \$5,414,941 in revenues and \$1,922,626 in expenditures. During fiscal year 2009, the classroom facilities fund increased \$3,492,315 from a fund balance of \$8,384,317 to a balance of \$11,876,632. The increase in fund balance is due to the receipts of intergovernmental revenues related to the Ohio School Facilities construction project.

General Fund Budgeting Highlights

The 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 2009, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$5,248,348 decreased to \$5,157,990 in the final budget. Actual revenues and other financing sources for fiscal 2009 was \$5,157,990 and matched the final budget.

General fund original and final appropriations were \$6,282,790 and \$6,166,583 respectively. The actual budget basis expenditures for fiscal year 2009 totaled \$4,822,235, which was \$1,344,348 lower than final budget appropriations.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the District had \$5,385,954 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal 2009 balances compared to 2008:

	Capital Assets at June 30, (Net of Depreciation)	
	Governmental Activities	
	2009	2008
Land	\$ 203,373	\$ 203,373
Construction in progress	2,212,673	274,405
Land improvements	10,973	13,002
Building and improvements	2,520,801	2,581,007
Furniture and equipment	277,955	345,278
Vehicles	160,179	117,204
Total	\$5,385,954	\$3,534,269

The overall increase in capital assets of \$1,851,685 is primarily due to additions of \$2,025,555 exceeding depreciation expense of \$162,194 and disposals of \$11,676 (net of accumulated depreciation) for fiscal year 2009.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2009, the District had \$250,000 in series 1998 general obligation bonds, \$7,245,000 in current interest bonds, \$129,998 in capital appreciation bonds, \$45,706 in accreted interest on the capital appreciation bonds, and a tax anticipation note of \$363,827 outstanding. Of this total, \$306,974 is due within one year and \$7,727,557 is due in more than one year. The following table summarizes the bonds and notes outstanding at June 30, 2009:

	Outstanding Debt, at Year End	
	Outstanding Debt, at Year End	
	Governmental Activities	
	2009	2008
General obligation bonds – Series 1998	\$ 250,000	\$ 365,000
Refunding bonds – Series 2008		
Current interest bonds	7,245,000	7,270,000
Capital appreciation bonds	129,998	129,998
Accreted interest	45,706	10,913
Tax anticipation note	363,827	400,000
Total	\$8,034,531	\$8,175,911

At June 30, 2009, the District had no remaining voted debt margin and an un-voted debt margin of \$62,002. See Note 9 to the basic financial statements for additional information on the District's debt administration.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Current Financial Related Activities

Significant growth in real estate revenue was realized for fiscal year 2009. There was a 7.2% increase in fiscal year 2009 over fiscal year 2008. Moderate continued growth is expected.

The upheaval in housing, automotive, & financial markets drastically reduced various sources of tax revenue for the state of Ohio. Consequently the state biennial budget called for significant reductions for fiscal years 2010 and 2011. The shortfall in state revenue is being subsidized by the federal government American Recovery and Reinvestment Act (ARRA). The District's allocation is 6.4% of total funds flowing through the state foundation program. These ARRA funds will cease at the end of fiscal year 2011. The state will then have to determine how to address this shortfall in school revenue; therefore, future budget cuts are probable. The District is receiving federal stimulus funds via CCIP for Title I and IDEA Part-B. The amounts are \$41,865.95 and \$120,302.31 respectively. The funds are to be used to supplement special education with a portion to be used to supplant regular operating costs for fiscal year 2010. A new handicapped school bus will be purchased from IDEA funds. These one-time funds for the biennial budget lead to interesting questions. How will these funds be replaced when the stimulus revenue ends? Will state tax revenue have increased sufficiently to make-up the difference and provide an increase in state foundation support?

The State of Ohio has a new funding methodology for schools called Evidence Based Model (EBM). EBM is to be phased in over the next ten years. The SF3 will be replaced with a new Pathway to Student Success (PASS) document detailing the new funding for the various components being instituted. A prior year ADM student count will be used for funding calculations. There are many EBM components used to fund schools and many of the components are adjusted by a new Education Challenge Factor (ECF) which ranges from 0.76 to 1.64. ECF is an index that adjusts funding for certain factors to account for student and community socioeconomic factors such as the district's wealth, poverty, and college attainment. ECF for each district is set in law for the biennium. There are many other aspects to this Education Reform Plan being studied.

As a result of the economic recession, various income levels for taxpayers of the taxing district will not have the growth compared to previous years. The State of Ohio Department of Taxation is projecting significant revenue tax losses for schools with income taxes. It is believed the District's loss will be less than 10% for the year. The District's three year 0.75% income tax expires December 31, 2010. It is critical to have this renewed to help support the needs of general operating expenses.

A continuing major concern in the expenditure area is health insurance premiums. They are up 8.2% for the next renewal period beginning October 1, 2009. The Board of Education and the Newton Teachers Association have agreed to extend the current agreement that expired June 30, 2009 with the same language and same 2.75% base increase on the salary index.

The Board continues to use budgetary controls to monitor finances while maintaining an excellent academic program for its students. It is a top priority of the Board to set and meet goals and objectives to keep the District financially sound and to provide instructional elements in order for students to excel educationally.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Fred Henderson, Treasurer, Newton Local School District, 201 N. Long Street, Pleasant Hill, Ohio 45359-0803.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$8,603,425
Investments	6,175,789
Receivables:	
Taxes	2,167,176
Accounts	15
Intergovernmental	3,848,660
Accrued interest	67,603
Prepayments	15,156
Materials and supplies inventory	8,803
Unamortized bond issue costs	172,458
Capital assets:	
Land	203,373
Construction in progress	2,212,673
Depreciable capital assets, net	2,969,908
Capital assets, net	5,385,954
Total assets	26,445,039
 Liabilities:	
Accounts payable	42,712
Contracts payable	483,477
Accrued wages and benefits	412,216
Pension obligation payable	107,545
Intergovernmental payable	12,532
Unearned revenue	1,515,455
Accrued interest payable	141,328
Long-term liabilities:	
Due within one year	389,281
Due within more than one year	8,281,946
Total liabilities	11,386,492
 Net Assets:	
Invested in capital assets, net of related debt	5,127,422
Restricted for:	
Capital projects	8,285,608
Debt service	328,272
Classroom facilities maintenance	45,070
State funded programs	7
Federally funded programs	25,213
Student activities	17,949
Public school support	11,867
Other purposes	86,992
Unrestricted	1,130,147
Total net assets	\$15,058,547

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$2,564,840	\$394,249	\$65,912		(\$2,104,679)
Special	431,899	2,508	274,586		(154,805)
Vocational	1,392		6,926		5,534
Other	8,686				(8,686)
Support services:					
Pupil	254,206		3,958		(250,248)
Instructional staff	187,859				(187,859)
Board of education	8,686				(8,686)
Administration	721,071	23,765	18,119		(679,187)
Fiscal	225,532		1,500		(224,032)
Business	975				(975)
Operations and maintenance	397,709	521			(397,188)
Pupil transportation	257,910		11,288	\$4,561	(242,061)
Central	4,377		10,263		5,886
Operation of non-instructional services:					
Food service operations	158,053	110,341	53,190		5,478
Other non-instructional services	5,100		11,958		6,858
Extracurricular activities	221,239	58,216			(163,023)
Interest and fiscal charges	412,037				(412,037)
Total governmental activities	<u>\$5,861,571</u>	<u>\$589,600</u>	<u>\$457,700</u>	<u>\$4,561</u>	<u>(4,809,710)</u>
General Revenues:					
Property taxes levied for:					
					1,185,305
					17,874
					585,794
					87,256
					1,179,732
					2,463,069
					355,413
					833
					<u>5,875,276</u>
					1,065,566
					<u>13,992,981</u>
					<u>\$15,058,547</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$1,430,873	\$6,419,674	\$752,878	\$8,603,425
Investments		5,813,772	362,017	6,175,789
Receivables:				
Taxes	1,515,158		652,018	2,167,176
Accounts			15	15
Intergovernmental	2,414	3,823,279	22,967	3,848,660
Accrued interest	1,666	62,989	2,948	67,603
Prepayments		15,156		15,156
Materials and supplies inventory	5,568		3,235	8,803
Total assets	<u>2,955,679</u>	<u>16,134,870</u>	<u>1,796,078</u>	<u>20,886,627</u>
Liabilities:				
Accounts payable	30,941		11,771	42,712
Contracts payable		483,477		483,477
Accrued wages and benefits	408,538		3,678	412,216
Compensated absences payable	43,501			43,501
Pension obligation payable	102,045		5,500	107,545
Intergovernmental payable	12,024		508	12,532
Deferred revenue	16,249	3,774,761	23,137	3,814,147
Unearned revenue	951,792		563,663	1,515,455
Total liabilities	<u>1,565,090</u>	<u>4,258,238</u>	<u>608,257</u>	<u>6,431,585</u>
Fund Balances:				
Reserved for encumbrances	29,586	2,539,922	1,773	2,571,281
Reserved for materials and supplies inventory	5,568		3,235	8,803
Reserved for prepayments		15,156		15,156
Reserved for property tax unavailable for appropriation	132,650		68,166	200,816
Reserved for debt service			394,860	394,860
Unreserved, undesignated, reported in:				
General fund	1,222,785			1,222,785
Special revenue funds			184,513	184,513
Capital projects funds		9,321,554	535,274	9,856,828
Total fund balances	<u>1,390,589</u>	<u>11,876,632</u>	<u>1,187,821</u>	<u>14,455,042</u>
Total liabilities and fund balances	<u>\$2,955,679</u>	<u>\$16,134,870</u>	<u>\$1,796,078</u>	<u>\$20,886,627</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009**

Total governmental fund balances		\$14,455,042
Amounts reported for governmental activities on 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.		5,385,954
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$36,438	
Intergovernmental receivable	3,751,117	
Accrued interest	26,592	
Total	3,814,147	3,814,147
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(141,328)
Unamortized bond issuance costs are not recognized in the funds.		172,458
Unamortized premiums on bond issuances are not recognized in the funds.		(221,981)
Unamortized deferred amounts on refundings are not recognized in the funds.		38,397
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(409,611)	
General obligation bonds payable	(7,670,704)	
Tax anticipation note	(363,827)	
Total	(8,444,142)	(8,444,142)
Net assets of governmental activities		\$15,058,547

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$1,176,176		\$674,916	\$1,851,092
Income taxes	1,179,732			1,179,732
Tuition	365,301			365,301
Charges for services			109,579	109,579
Earnings on investments	27,949	\$329,120	8,580	365,649
Extracurricular			81,981	81,981
Classroom materials and fees			31,456	31,456
Rentals	521			521
Contributions and donations			20,502	20,502
Other local revenues	833		10,410	11,243
Intergovernmental - State	2,470,321	5,085,821	148,148	7,704,290
Intergovernmental - Federal	7,575		269,085	276,660
Total revenues	<u>5,228,408</u>	<u>5,414,941</u>	<u>1,354,657</u>	<u>11,998,006</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,402,615		93,584	2,496,199
Special	279,536		143,537	423,073
Other	8,686			8,686
Support services:				
Pupil	251,003			251,003
Instructional staff	171,227		3,958	175,185
Board of education	5,268			5,268
Administration	646,851		37,271	684,122
Fiscal	211,255		11,495	222,750
Business	975			975
Operations and maintenance	404,919			404,919
Pupil transportation	295,815			295,815
Central			4,377	4,377
Operation of non-instructional services:				
Food service operations			153,624	153,624
Other non-instructional services			5,100	5,100
Extracurricular activities	147,138		55,772	202,910
Facilities acquisition and construction		1,922,626	486	1,923,112
Debt service:				
Principal retirement			176,173	176,173
Interest and fiscal charges			321,247	321,247
Total expenditures	<u>4,825,288</u>	<u>1,922,626</u>	<u>1,006,624</u>	<u>7,754,538</u>
Net change in fund balances	403,120	3,492,315	348,033	4,243,468
Fund balances at beginning of year	987,469	8,384,317	839,788	10,211,574
Fund balances at end of year	<u>\$1,390,589</u>	<u>\$11,876,632</u>	<u>\$1,187,821</u>	<u>\$14,455,042</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**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, 2009**

Net change in fund balances - total governmental funds \$4,243,468

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$2,025,555	
Current year depreciation	(162,194)	
Total	1,863,361	1,863,361

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (11,676)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	25,137	
Intergovernmental	(5,085,821)	
Interest income	(10,185)	
Total	(5,070,869)	(5,070,869)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

Notes	36,173	
Bonds	140,000	
Total	176,173	176,173

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported on the statement of activities:

Increase in accrued interest payable	(51,893)	
Accretion of interest on "capital appreciation" bonds	(34,793)	
Amortization of bond premium	8,429	
Amortization of deferred charges on refundings	(5,984)	
Amortization of bond issue costs	(6,549)	
Total	(90,790)	(90,790)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (44,101)

Change in net assets of governmental activities \$1,065,566

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$1,097,345	\$1,078,453	\$1,078,453	
Income taxes	1,220,402	1,199,391	1,199,391	
Tuition	371,700	365,301	365,301	
Earnings on investments	29,816	29,303	29,303	
Rentals	530	521	521	
Other local revenues	849	833	833	
Intergovernmental - State	2,521,831	2,478,414	2,478,414	
Intergovernmental - Federal	5,251	5,161	5,161	
Total revenue	<u>5,247,724</u>	<u>5,157,377</u>	<u>5,157,377</u>	
Expenditures:				
Current:				
Instruction:				
Regular	2,503,359	2,457,056	2,387,632	\$69,424
Special	278,249	273,102	278,506	(5,404)
Vocational	458	450		450
Other	7,794	7,650	8,683	(1,033)
Support services:				
Pupil	254,600	249,891	239,924	9,967
Instructional staff	249,187	244,578	174,303	70,275
Board of education	6,509	6,389	5,268	1,121
Administration	690,254	677,487	646,491	30,996
Fiscal	221,153	217,063	211,422	5,641
Business	3,057	3,000	975	2,025
Operations and maintenance	394,531	387,234	416,058	(28,824)
Pupil transportation	327,467	321,410	304,376	17,034
Operation of non-instructional services			2,021	(2,021)
Extracurricular activities	163,876	160,845	146,576	14,269
Facilities acquisition and construction	1,182,296	1,160,428		1,160,428
Total expenditures	<u>6,282,790</u>	<u>6,166,583</u>	<u>4,822,235</u>	<u>1,344,348</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,035,066)</u>	<u>(1,009,206)</u>	<u>335,142</u>	<u>1,344,348</u>
Other financing sources:				
Refund of prior year expenditure	624	613	613	
Total other financing sources	<u>624</u>	<u>613</u>	<u>613</u>	
Net change in fund balance	(1,034,442)	(1,008,593)	335,755	1,344,348
Fund balance at beginning of year	973,212	973,212	973,212	
Prior year encumbrances appropriated	61,230	61,230	61,230	
Fund balance at end of year	<u>\$0</u>	<u>\$25,849</u>	<u>\$1,370,197</u>	<u>\$1,344,348</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009**

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$2,692	\$24,732
Investments	51,629	
Receivables:		
Accounts	2,000	
Interest	54	
Notes	15,100	
Total assets	71,475	24,732
Liabilities:		
Accounts payable		2,101
Due to students		22,631
Total liabilities		\$24,732
Net Assets:		
Held in trust for scholarships	71,475	
Total net assets	\$71,475	

See accompanying notes to the basic financial statements.

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Interest	\$1,458
Gifts and contributions	2,000
Total additions	<u>3,458</u>
Change in net assets	3,458
Net assets at beginning of year	<u>68,017</u>
Net assets at end of year	<u><u>\$71,475</u></u>

See accompanying notes to the basic financial statements.

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1923 through the consolidation of existing land areas and school districts. The District serves an area of approximately 42 square miles. It is located in Miami County and includes all of the Village of Pleasant Hill and a portion of Darke County. It is staffed by 24 non-certified employees, 45 certified full-time teaching personnel and three administrative employees who provide services to 538 students and other community members. The District currently operates one instructional-administrative building and one bus garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 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 District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following organizations are described due to their relationship to the District:

1. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. 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 MDECA consists of seven superintendents of member school districts, with six of the superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the general fund. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Miami, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

2. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to cover the costs of administering the GRP.

Ohio School Risk Sharing Authority - The Center participates in the Ohio School Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a nine member board consisting of superintendents, treasurers and business managers.

The Frank Gates Service Company is responsible for processing claims. Willis Pooling serves as the Plan's administrator, sales representative and marketing representative which establishes agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan - The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

Governmental funds are those through which most governmental functions typically 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 District's major governmental funds:

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

Classroom facilities fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) food service operations; (c) the accumulation of resources for, and payment of general long-term debt principal, interest, and related costs; and (d) grants and other resources whose use is restricted to a particular purpose.

2. 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

2. Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

1. 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. Available means that the resources will be collected 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 District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income 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 5).

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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 as an advance, income taxes, interest, tuition, grants, student fees and rentals.

2. Unearned Revenue and Deferred Revenue

Unearned revenue and deferred revenue arise 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, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, delinquent property taxes due at June 30, 2009, are recorded as deferred revenue.

3. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of intergovernmental revenue used during the year is reported in the operating statement as an expense with a like amount reported as inventory revenue. Unused donated commodities are reported as donated commodities revenue.

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 governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations, by fund, cannot exceed estimated resources as certified.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All funds, other than the agency fund, are required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level of control may only be made by resolution of the Board of Education.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Miami County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final certificate of estimated resources in effect at the time the original and final appropriation resolutions were passed by the Board of Education.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

The budget figures which appear in the statements of budgetary comparisons represent the original and final appropriation amounts adopted during the current fiscal year. Formal budgetary integration is employed as a management control device by the Board of Education during the year for all funds, other than the agency fund, consistent with statutory provisions.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" and "investments" on the basic financial statements.

The District has invested funds in federal agency securities, U.S. Government money markets, non-negotiable certificates of deposit (CD's), and the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2009.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$27,949, which includes \$4,608 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. 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. The District does not possess infrastructure.

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:

Description	Governmental Activities Estimated Lives
Land improvements	5 - 7 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans outstanding at June 30, 2009.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (sick leave) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. 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, claims and judgments and compensated absences 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 during the current year. Bonds and notes are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The 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 equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for food service operations, the special trust fund (a nonmajor governmental fund) and the uniform school supplies fund (a nonmajor governmental fund).

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt. On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

Q. Interfund Activity

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balance

Fund balances at June 30, 2009 included the following individual fund deficit:

<u>Non-Major Fund</u>	<u>Deficit</u>
EMIS	\$22

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance result from adjustments for accrued liabilities.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At June 30, 2009, the District had \$300 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$897,398. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$15,000 of the District's bank balance of \$990,065 was exposed to custodial risk as discussed below, while \$975,065 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2009, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 2,025,345	\$2,025,345				
U.S. Government money market	5,759,435	5,759,435				
FFCB mtn	102,462	102,462				
FHLB	4,732,948	711,735	\$ 857,872			\$3,163,341
FHLMC mtn	848,605		848,605			
FNMA mtn	491,774	203,376	288,398			
Total	<u>\$13,960,569</u>	<u>\$8,802,353</u>	<u>\$1,994,875</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,163,341</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The weighted average maturity of investments is 0.73 years.

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and the U.S. Government money market carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investments in federal agency securities were rated Aaa and AAA by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$2,025,345	14.51
U.S. Government money market	5,759,435	41.26
FFCB mtn	102,462	0.73
FHLB	4,732,948	33.90
FHLMC mtn	848,605	6.08
FNMA mtn	491,774	3.52
Total	<u>\$13,960,569</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

Cash and investments per note	
Carrying amount of deposits	\$ 897,398
Investments	13,960,569
Cash on hand	300
Total	<u>\$14,858,267</u>
 Cash and investments per statement of net assets	
Governmental activities	\$14,779,214
Private-purpose trust funds	54,321
Agency funds	24,732
Total	<u>\$14,858,267</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 District prior to June 30.

The District received property taxes from Darke and Miami County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$132,650 in the general fund, \$66,575 in the bond retirement debt service fund (a non-major governmental fund), \$1,156 in the permanent improvement fund (a nonmajor governmental fund) and \$435 in the classroom facilities maintenance fund (a non-major governmental fund). These amounts should be recorded as revenue. The amount available for advance at June 30, 2008 was \$34,927 in the general fund, \$17,740 in the bond retirement debt service fund, \$3,092 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year end 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, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and should be reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations should be offset by a credit to unearned revenue.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

5. PROPERTY TAXES (Continued)

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$59,764,440	97.25	\$60,691,190	97.54
Public utility personal	1,278,770	2.08	1,310,740	2.11
Tangible personal property	409,550	0.67	222,340	0.35
Total	\$61,452,760	100.00	\$62,224,270	100.00
Tax rate per \$1,000 of assessed valuation	\$47.95		\$47.85	

6. SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of one percent continuing and a .75% three year temporary for general operations on the income of residents and of estates. The tax was effective on January 1, 1993. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$1,179,732 was credited to the general fund during fiscal year 2009.

7. RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Taxes	\$2,167,176
Accounts	15
Accrued interest	67,603
Intergovernmental	3,848,660
Total	\$6,083,454

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 203,373			\$ 203,373
Construction in progress	274,405	\$1,938,268		2,212,673
Total capital assets, not being depreciated	<u>477,778</u>	<u>1,938,268</u>		<u>2,416,046</u>
Capital assets, being depreciated:				
Land improvements	55,053		(\$ 1,160)	53,893
Buildings and improvements	3,775,904		(13,194)	3,762,710
Furniture and equipment	1,084,761	15,752	(17,637)	1,082,876
Vehicles	387,956	71,535	(44,850)	414,641
Total capital assets, being depreciated	<u>5,303,674</u>	<u>87,287</u>	<u>(76,841)</u>	<u>5,314,120</u>
Less: accumulated depreciation:				
Land improvements	(42,051)	(1,488)	619	(42,920)
Buildings and improvements	(1,194,897)	(53,170)	6,158	(1,241,909)
Furniture and equipment	(739,483)	(81,766)	16,328	(804,921)
Vehicles	(270,752)	(25,770)	42,060	(254,462)
Total accumulated depreciation	<u>(2,247,183)</u>	<u>(162,194)</u>	<u>65,165</u>	<u>(2,344,212)</u>
Governmental activities capital assets, net	<u>\$3,534,269</u>	<u>\$1,863,361</u>	<u>(\$11,676)</u>	<u>\$5,385,954</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 78,197
Special	3,387
Vocational	1,392
Support services:	
Pupil	1,776
Instructional staff	12,194
Administration	4,837
Fiscal	697
Operations and maintenance	5,826
Pupil transportation	25,985
Extracurricular activities	21,618
Food service operations	6,285
Total depreciation expense	<u>\$162,194</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. LONG-TERM OBLIGATIONS

A. During the fiscal year 2009, the following activity occurred in governmental activities long-term obligations:

	<u>Balance Outstanding 06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/09</u>	<u>Amounts Due in One Year</u>
Governmental activities:					
General obligation bonds - Series 1998	\$ 365,000		(\$115,000)	\$ 250,000	\$120,000
School facilities construction and advance refunding bonds - Series 2008					
Current interest bonds	7,270,000		(25,000)	7,245,000	150,000
Capital appreciation bonds	129,998			129,998	
Accreted interest	10,913	\$ 34,793		45,706	
Total G.O. bonds	<u>7,775,911</u>	<u>34,793</u>	<u>(140,000)</u>	<u>7,670,704</u>	<u>270,000</u>
Tax anticipation note	400,000		(36,173)	363,827	36,974
Compensated absences	385,045	118,593	(50,526)	453,112	82,307
Total	<u>\$8,560,956</u>	<u>\$153,386</u>	<u>(\$226,699)</u>	<u>8,487,643</u>	<u>\$389,281</u>
Add: Unamortized premium on bonds				221,981	
Less: Unamortized deferred charge on refunding				<u>(38,397)</u>	
Total on statement of net assets				<u>\$8,671,227</u>	

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, which for the District is primarily the general fund.

Tax Anticipation Notes: On April 17, 2008, the District issued \$400,000 in tax anticipation notes to be repaid over the next 10 years with tax revenues generated by a tax levy. These notes will be used to finance the construction of public school facilities. The notes mature on January 15, 2018 and will be paid from the permanent improvement fund (a nonmajor fund).

General Obligation Bonds Payable - Series 1998: On February 15, 1998, the District issued \$2,150,000 in general obligation bonds. The proceeds of these bonds were used to provide long-term financing of the District's building projects. These bonds were scheduled to mature in fiscal year 2017. These general obligation bonds were issued to pay judgments against the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net assets. A portion of the Series 1998 general obligation bonds was refunded during fiscal year 2008 in the amount of \$955,000. The remaining balance of the Series 1998 general obligation bonds matures December 1, 2010. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund (a nonmajor governmental fund).

School Facilities Construction and Advance Refunding Bonds - Series 2008: On March 18, 2008, the District issued general obligation bonds to finance the local share portion of the Ohio School Facilities Commission project (\$6,444,998) and to advance refund the callable portion of the Series 1998 general obligation bonds (\$955,000). This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded Series 1998 current interest bonds at June 30, 2009, is \$955,000.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

The Series 2008 issue is comprised of both current interest bonds, par value \$7,270,000, and capital appreciation bonds par value \$129,998. The interest rates on the current interest bonds range from 3.00% - 4.25%. The capital appreciation bonds mature on January 15, 2013 (effective interest rate 17.027%), January 15, 2014 (effective interest rate 31.704%), and January 15, 2015 (effective interest rate 31.704%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing January 15, 2013 is \$165,000, January 15, 2014 is \$175,000, and January 15, 2015 is \$175,000. Total accreted interest of \$45,706 has been included on the statement of net assets at June 30, 2009.

Interest payments on the current interest bonds are due on July 15 and January 15 of each year. The final maturity stated in the issue is January 15, 2036. Payments of principal and interest are recorded as expenditures of the debt service fund (a nonmajor governmental fund).

The reacquisition price exceeded the net carrying amount of the old debt by \$47,373. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Principal and interest requirements to retire general obligation debt at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds – Series 1998		
	Principal	Interest	Total
2010	\$120,000	\$ 9,975	\$129,975
2011	130,000	3,412	133,412
Total	<u>\$250,000</u>	<u>\$13,387</u>	<u>\$263,387</u>

Fiscal Year Ending June 30,	Current Interest School Improvement and Refunding Bonds – Series 2008			Capital Appreciation School Improvement and Refunding Bonds – Series 2008		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 150,000	\$ 291,488	\$ 441,488			
2011	305,000	286,612	591,612			
2012	325,000	276,700	601,700			
2013	170,000	265,326	435,326	\$ 74,999	\$ 90,001	\$165,000
2014	170,000	258,950	428,950	31,517	143,483	175,000
2015 - 2019	1,115,000	1,168,677	2,283,677	23,482	151,518	175,000
2020 - 2024	1,130,000	953,075	2,083,075			
2025 - 2029	1,385,000	704,355	2,089,355			
2030 - 2034	1,705,000	390,817	2,095,817			
2035 - 2036	790,000	50,787	840,787			
Total	<u>\$7,245,000</u>	<u>\$4,646,787</u>	<u>\$11,891,787</u>	<u>\$129,998</u>	<u>\$385,002</u>	<u>\$515,000</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Tax Anticipation Notes		
	Principal	Interest	Total
2010	\$ 36,974	\$16,118	\$ 53,092
2011	37,793	14,480	52,273
2012	38,630	12,805	51,435
2013	39,486	11,094	50,580
2014	40,361	9,344	49,705
2015 – 2018	170,583	19,099	189,682
Total	<u>\$363,827</u>	<u>\$82,940</u>	<u>\$446,767</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, resulted in no remaining voted debt margin and an unvoted debt margin of \$62,002.

10. RISK MANAGEMENT

A. Property and Liability

The 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 2009, the District joined together with other school districts in Ohio to participate in the SORSA, a public entity insurance purchasing pool. Each individual school district enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the SORSA (see Note 2.A.). The District contracts for fleet insurance, crime, electronic data processing, equipment floater, property insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability and employment practices with SORSA.

Insurance coverage provided includes the following:

Description	Amount
Building and Contents-replacement cost (\$1,000 deductible)	\$17,537,769
Equipment Floater Coverage (\$1,000 deductible)	
Electronic Data Processing Coverage (\$1,000 deductible)	1,250,000
Crime Insurance (\$1,000 deductible)	100,000
Automobile Liability	6,000,000
Uninsured Motorists	2,000,000

(Continued)

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

10. RISK MANAGEMENT (Continued)

Education General Liability	
Each Occurrence	6,000,000
Personal and Advertising Injury Limit – each offence	6,000,000
Fire Damage Limit – any one event	500,000
Medical Expense – any one person/each accident	5,000/25,000
General Aggregate Limit	8,000,000
Products – completed operations limit	6,000,000
Employer’s Liability and Stop Gap	
Each Occurrence	1,000,000
Disease – each employee	1,000,000
Errors and Omissions Liability (\$5,000 deductible)	
Per occurrence	1,000,000
Aggregate limit	1,000,000
Excess Liability	
Each Occurrence	5,000,000
Aggregate limit	5,000,000

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

B. Workers’ Compensation

For fiscal year 2009, the District participated in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers’ compensation experience of the participating 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 districts that can meet the GRP’s selection criteria. The firm of Hunter Consulting Company provides administrative, cost control and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2009, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 2.A.). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP’s selection criteria.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. PENSION PLANS

A. School Employees Retirement System

Plan Description - The 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 contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$49,092, \$47,620 and \$52,975, respectively; 40.93 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 contacting STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

**NEWTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. PENSION PLANS (Continued)

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$287,413, \$278,358 and \$282,834, respectively; 83.31 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$272 made by the District and \$4,933 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS website at www.ohsers.org under *Employer/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$33,223, \$32,586 and \$27,867, respectively; 40.93 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$4,051, \$3,431 and \$3,602, respectively; 40.93 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$22,109, \$21,412 and \$21,756, respectively; 83.31 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

13. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

13. BUDGETARY BASIS OF ACCOUNTING (Continued)

- b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,
- c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	
	General Fund
Budget basis	\$335,755
Net adjustment for revenue accruals	71,031
Net adjustment for expenditure accruals	(63,729)
Net adjustment for other sources/uses	(613)
Adjustment for encumbrances	60,676
GAAP basis	\$403,120

14. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

15. STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside balance as of June 30, 2008	(\$214,021)	
Current year set-aside requirement	81,832	\$ 81,832
Current year offsets		(221,100)
Qualifying disbursements	(65,856)	(137,843)
Total	(\$198,045)	(\$277,111)
Balance carried forward to fiscal year 2010	(\$198,045)	\$ 0

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

15. STATUTORY RESERVES (Continued)

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year. The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years.

16. CONTRACTUAL COMMITMENTS

The District had the following outstanding contractual commitments at fiscal year end:

<u>Vendor</u>	<u>Contact Amount</u>	<u>Amount Paid</u>	<u>Amount Outstanding</u>
A-1 Sprinkler Co.	\$ 173,100		\$173,100
Area Energy and Electric	1,324,607		1,324,607
Breckenridge Kitchen Equipment	306,456		306,456
D&M Excavating	155,960		155,960
Fanning and Howey	974,142	\$ 729,958	244,184
Bovis Lend Lease	900,457	388,573	511,884
Farnham Equipment Co.	374,700		374,700
Franklin Imaging	43,419	34,881	8,538
Humble Construction Co.	7,051,700	485,701	6,565,999
JMC Mechanical, Inc.	1,459,080		1,459,080
PSI	43,471	10,481	32,990
Regal Plumbing	686,674		686,674
Stan and Associates	36,484	6,239	30,245
Swartzel Insurance	21,697	19,197	2,500
Total	\$13,551,947	\$1,675,030	\$11,876,917

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The management's discussion and analysis of the Newton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$11,834,417, a 548.25% increase from 2007.
- General revenues accounted for \$16,105,690 in revenue or 92.76% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,256,131 or 7.24% of total revenues of \$17,361,821.
- The District had \$5,527,404 in expenses related to governmental activities; \$1,256,131 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements, and grants and entitlements restricted for the Ohio School Facilities Commission (OSFC) project of \$16,105,690) were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund, and classroom facilities fund. The general fund had \$5,107,639 in revenues and \$4,722,461 in expenditures. During fiscal year 2008, the general fund's fund balance increased \$385,178 from \$602,291 to \$987,469.
- The District's debt service fund had \$8,105,345 in revenues and other financing sources and \$8,007,063 in expenditures and other financing uses. During fiscal year 2008, the debt service fund's fund balance increased \$98,282 from \$145,848 to \$244,130.
- The District's classroom facilities fund had \$8,658,722 in revenues and other financing sources and \$274,405 in expenditures. At June 30, 2008, the classroom facilities fund had an ending fund balance of \$8,384,317.

Using these Basic Financial Statements

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund, and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 61-62 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 57. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund, debt service fund, and classroom facilities fund.

Governmental Funds

Most of the 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 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 financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 63-67 of this report.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 68 and 69. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 71-97 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
Assets:		
Current and other assets	\$21,477,773	\$2,470,951
Capital assets, net	3,534,269	3,119,627
Total assets	<u>25,012,042</u>	<u>5,590,578</u>
Liabilities:		
Current liabilities	2,272,076	1,646,131
Long-term liabilities	8,746,985	1,785,883
Total liabilities	<u>11,019,061</u>	<u>3,432,014</u>
Net Assets:		
Invested in capital assets, net of related debt	2,207,247	1,689,627
Restricted	11,092,974	188,495
Unrestricted	692,760	280,442
Total net assets	<u>\$ 13,992,981</u>	<u>\$2,158,564</u>

During fiscal year 2008, current assets, long-term liabilities, and net assets restricted for capital projects increased due to the bonds issued to finance the local share of the District's OSFC construction project.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$13,992,981. Of this total, \$11,092,974 is restricted in use.

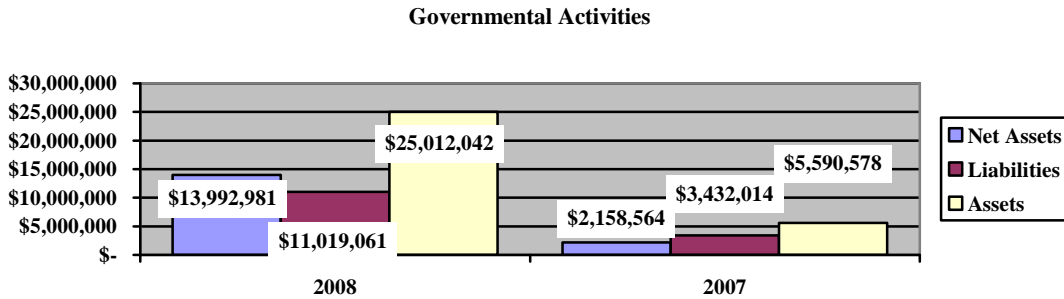
**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

At year-end, capital assets represented 14.13% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$2,207,247. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$11,092,974 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, in the amount of \$692,760, may be used to meet the District's ongoing obligations to the students and creditors.

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2008 and 2007:



The table below shows the change in net assets for fiscal year 2008 and 2007.

	Change in Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
Revenues:		
Program revenues:		
Charges for services and sales	\$ 581,157	\$ 387,352
Operating grants and contributions	527,051	617,710
Capital grants and contributions	147,923	3,592
General revenues:		
Property taxes	1,467,667	1,107,517
School district income taxes	1,173,260	1,116,624
Grants and entitlements not restricted	2,404,023	2,323,953
Grants and entitlements restricted	10,969,011	
Investment earnings	89,232	60,546
Other	2,497	1,250
Total revenues	17,361,821	5,618,544

(Continued)

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

**Change in Net Assets
(Continued)**

	Governmental Activities 2008	Governmental Activities 2007
Expenses:		
Program expenses:		
Instruction:		
Regular	\$ 2,392,552	\$2,663,544
Special	431,765	447,564
Vocational	1,832	1,429
Other	5,496	4,488
Support services:		
Pupil	215,349	235,304
Instructional staff	271,473	193,313
Board of education	8,793	292
Administration	626,738	626,869
Fiscal	205,010	224,742
Business	1,495	1,389
Operations and maintenance	377,701	330,193
Pupil transportation	261,229	245,255
Central	1,214	2,178
Operations of non-instructional services		
Food service operations	137,163	146,812
Other non-instructional services	10,158	3,000
Extracurricular activities	221,493	228,234
Interest and fiscal charges	357,943	77,411
Total expenses	<u>5,527,404</u>	<u>5,432,017</u>
Change in net assets	11,834,417	186,527
Net assets at beginning of year	<u>2,158,564</u>	<u>1,972,037</u>
Net assets at end of year	<u>\$13,992,981</u>	<u>\$2,158,564</u>

Governmental Activities

Net assets of the District's governmental activities increased \$11,834,417. Total governmental expenses of \$5,527,404 were offset by program revenues of \$1,256,131 and general revenues of \$16,105,690. Program revenues supported 22.73% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, unrestricted grants and entitlements and grants and entitlements restricted for the OSFC project. These revenue sources represent 92.24% of total governmental revenue.

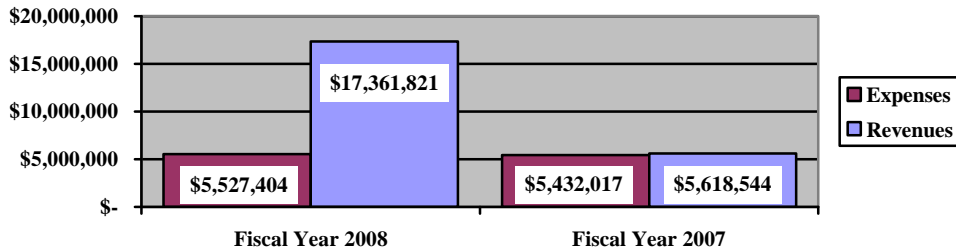
The largest expense of the District is for instructional programs. Instruction expenses totaled \$2,831,645 or 51.23% of total governmental expenses for fiscal 2008.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue, unrestricted grants and entitlements, and grants and entitlements restricted for the OSFC project.

	Governmental Activities			
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$2,392,552	\$1,788,174	\$2,663,544	\$2,251,253
Special	431,765	178,885	447,564	156,986
Vocational	1,832	(2,391)	1,429	(5,659)
Other	5,496	5,496	4,488	4,488
Support services:				
Pupil	215,349	215,349	235,304	235,190
Instructional staff	271,473	192,308	193,313	189,554
Board of education	8,793	8,793	292	292
Administration	626,738	585,427	626,869	562,841
Fiscal	205,010	203,510	224,742	222,281
Business	1,495	1,495	1,389	1,389
Operations and maintenance	377,701	352,231	330,193	319,658
Pupil transportation	261,229	247,631	245,255	232,002
Central	1,214	(263)	2,178	(297)
Operations of non-instructional services				
Food service operations	137,163	(26,296)	146,812	9,667
Other non-instructional services	10,158	6,751	3,000	(409)
Extracurricular activities	221,493	156,230	228,234	166,716
Interest and fiscal charges	357,943	357,943	77,411	77,411
Total expenses	\$5,527,404	\$4,271,273	\$5,432,017	\$4,423,363

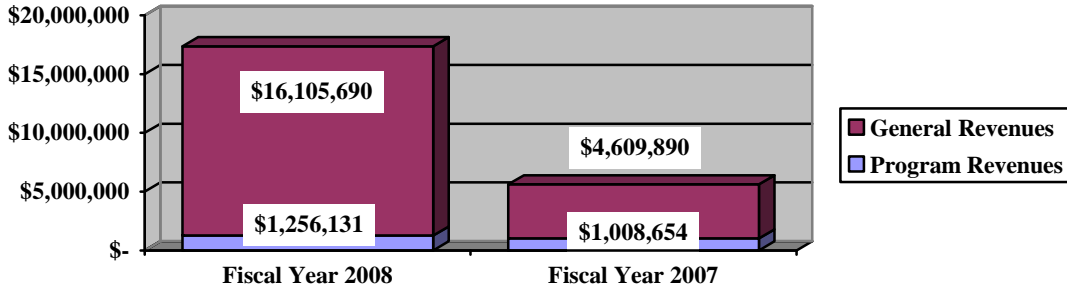
The dependence upon tax and other general revenues for governmental activities is apparent, 69.58% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.27%.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$10,211,574 which is higher than last year's total of \$820,399. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase / (Decrease)	Percentage Change
General	\$ 987,469	\$602,291	\$ 385,178	63.95 %
Debt Service	244,130	145,848	98,282	67.39 %
Classroom Facilities	8,384,317		8,384,317	100.00 %
Other Governmental	595,658	72,260	523,398	724.33 %
Total	\$10,211,574	\$820,399	\$9,391,175	1,144.71 %

Non-major governmental funds increased as a result of \$400,000 in tax anticipation notes received into the permanent improvement fund. This note will finance the District's locally funded initiative related to the OSFC construction project.

General Fund

The District's general fund balance increased \$385,178. Tuition revenues of \$350,083, which increased 26.44% from fiscal year 2007, represent incoming open enrollment students' basic-aid from the state foundation. This is offset by expenses deducted from state foundation for out-going open enrollment students. While the percentage decrease of other local revenues, which consist of rentals and donations, was 72.96%, the dollar amount was insignificant.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2008 Amount	2007 Amount	Increase / (Decrease)	Percentage Change	
Revenues:					
Taxes	\$2,201,523	\$2,062,478	\$139,045	6.74	%
Tuition	350,083	276,877	73,206	26.44	%
Earnings on investments	53,620	54,070	(450)	(0.83)	%
Intergovernmental	2,499,226	2,445,575	53,651	2.19	%
Other revenues	3,187	11,785	(8,598)	(72.96)	%
Total	5,107,639	4,850,785	256,854	5.30	%
Expenditures:					
Instruction	2,748,300	2,830,387	(82,087)	(2.90)	%
Support services	1,831,149	1,730,180	100,969	5.84	%
Non-instructional services	7,358		7,358	100.00	%
Extracurricular activities	135,654	147,812	(12,158)	(8.23)	%
Debt service	-	3,509	(3,509)	(100.00)	%
Total	\$4,722,461	\$4,711,888	\$ 10,573	0.22	%

Debt Service Fund

The District's debt service fund accounted for a bond issuance of \$7,399,998 to finance the OSFC construction project and made \$6,998,560 in debt service payments. The debt service fund also made payments of \$1,002,373 to the refunded bond escrow agent for the refunding of a portion of the series 1998 general obligation bonds. During fiscal year 2008, the debt service fund's fund balance increased \$98,282 from \$145,848 to \$244,130.

Classroom Facilities Fund

The District's classroom facilities fund had \$8,658,722 in revenues and other financing sources and \$274,405 in expenditures. The classroom facilities fund received bond anticipation note proceeds of \$6,445,000 to begin construction of the OSFC project. At June 30, 2008, the classroom facilities fund had an ending fund balance of \$8,384,317.

General Fund Budgeting Highlights

The 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 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$5,025,592 increased to \$5,066,160 in the final budget. Actual revenues and other financing sources for fiscal 2008 was \$5,110,389. This was \$44,229 higher than the final budgeted revenues.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$5,645,439 and \$5,686,007 respectively. The actual budget basis expenditures for fiscal year 2008 totaled \$4,757,024, which was \$928,983 less than the final budget appropriations.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$3,534,269 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

Capital Assets at June 30 (Net of Depreciation)		
	Governmental Activities	
	2008	2007
Land	\$ 203,373	\$ 203,373
Construction in progress	274,405	
Land improvements	13,002	14,568
Building and improvements	2,581,007	2,461,659
Furniture and equipment	345,278	303,420
Vehicles	117,204	136,607
Total	\$3,534,269	\$3,119,627

The overall increase in capital assets of \$414,642 is primarily due to additions of \$584,004 for fiscal year 2008 exceeding depreciation expense of \$163,014 for fiscal 2008.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008, the District had \$365,000 in series 1998 general obligation bonds, \$7,270,000 in current interest bonds, \$129,998 in capital appreciation bonds, \$10,913 in accreted interest on the capital appreciation bonds, and a tax anticipation note of \$400,000 outstanding. Of this total, \$176,173 is due within one year and \$7,999,738 is due in more than one year. The following table summarizes the bonds and notes outstanding. The \$6,745,911 increase in governmental activities long-term debt is due to the bond and note issued to finance the OSFC project that the District entered into during fiscal year 2008.

Outstanding Debt, at Year End		
	Governmental Activities 2008	Governmental Activities 2007
	General obligation bonds – Series 1998	\$ 365,000
Refunding bonds – Series 2008:		
Current interest bonds	7,270,000	
Capital appreciation bonds	129,998	
Accreted interest	10,913	
Tax anticipation note	400,000	
Total	\$8,175,911	\$1,430,000

At June 30, 2008, the District had no remaining voted debt margin and an unvoted debt margin of \$61,043. See Note 9 to the basic financial statements for additional information on the District's debt administration.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Current Financial Related Activities

On November 6, 2007 the District passed a 7.46 mill bond levy and a 2.0 mill capital improvement levy. The bond levy financed \$6,445,000 for the District's share of a Classroom Facilities Assistance Program. The State and District share the cost in the construction of a new K-12 facility. The State share is 63% and the District share is 37%. The capital improvement levy was used to secure \$400,000 of notes to finance a locally funded initiative in conjunction with new construction to button up the 1999 addition as the 1922-23 three story building will be demolished. Construction is scheduled to begin in the spring of 2009 and completion date in the fall of 2010.

The District currently has an adequate financial position and will remain so for the near future due largely to the passage of a 0.75% income tax. This is a three year temporary tax which expires December 31, 2010. The continuation of this tax combined with the District's 1.0% continuing income tax passed in 1992 is paramount in keeping the District financially sound into the near future. The District has had revenues exceeding expenditures in recent fiscal years. General Fund cash surpluses have been increasing with a fiscal year 2006 ending cash balance of \$405,315 to \$1,034,439 ending fiscal year 2008. Local revenues Real Estate and Income Taxes have had positive growth over the past combined three fiscal years. Open enrollment continues to improve with the number of students leaving the District decreasing and incoming students increasing. The Newton Teachers Association negotiated agreement ends June 30, 2009. Negotiations will begin in the spring of 2009 for a new NTA agreement.

The Board continues to use budgetary controls to monitor finances while maintaining an excellent academic program for its students. The District has met state standards qualifying for the distinction of being "EXCELLENT" for three consecutive years. It is a top priority of the Board to set and meet goals and objectives to keep the District financially sound and to provide instructional elements in order for students to excel educationally.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Fred Henderson, Treasurer, Newton Local School District, 201 N. Long Street, Pleasant Hill, Ohio 45359-0803.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$3,497,311
Investments	6,735,561
Receivables:	
Taxes	2,138,778
Accounts	624
Intergovernmental	8,845,031
Accrued interest	71,873
Materials and supplies inventory	9,588
Unamortized bond issue costs	179,007
Capital assets:	
Land	203,373
Construction in progress	274,405
Depreciable capital assets, net	3,056,491
Capital assets, net	3,534,269
Total assets	25,012,042
 Liabilities:	
Accounts payable	16,943
Contracts payable	20,196
Accrued wages and benefits	394,031
Pension obligation payable	102,444
Intergovernmental payable	11,435
Unearned revenue	1,637,592
Accrued interest payable	89,435
Long-term liabilities:	
Due within one year	226,699
Due within more than one year	8,520,286
Total liabilities	11,019,061
 Net Assets:	
Invested in capital assets, net of related debt	2,207,247
Restricted for:	
Capital projects	10,900,523
Debt service	158,254
Other purposes	12,552
State funded programs	1,418
Federally funded programs	4,722
Student activities	15,505
Unrestricted	692,760
Total net assets	\$13,992,981

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$2,392,552	\$376,520	\$94,937	\$132,921	(\$1,788,174)
Special	431,765	5,057	247,823		(178,885)
Vocational	1,832		4,223		2,391
Other	5,496				(5,496)
Support services:					
Pupil	215,349				(215,349)
Instructional staff	271,473		79,165		(192,308)
Board of education	8,793				(8,793)
Administration	626,738	26,142	15,169		(585,427)
Fiscal	205,010		1,500		(203,510)
Business	1,495				(1,495)
Operations and maintenance	377,701	690	11,823	12,957	(352,231)
Pupil transportation	261,229		11,553	2,045	(247,631)
Central	1,214		1,477		263
Operation of non-instructional services:					
Food service operations	137,163	110,859	52,600		26,296
Other non-instructional services	10,158		3,407		(6,751)
Extracurricular activities	221,493	61,889	3,374		(156,230)
Interest and fiscal charges	357,943				(357,943)
Total governmental activities	<u>\$5,527,404</u>	<u>\$581,157</u>	<u>\$527,051</u>	<u>\$147,923</u>	<u>(4,271,273)</u>

General Revenues:

Property taxes levied for:

General purposes	1,033,435
Debt service	381,141
Capital projects	53,091
School district income tax	1,173,260
Grants and entitlements not restricted to specific programs	2,404,023
Grants and entitlements restricted for Ohio School Facilities Commission	10,969,011
Investment earnings	89,232
Miscellaneous	2,497
Total general revenues	<u>16,105,690</u>
Change in net assets	11,834,417
Net assets at beginning of year	<u>2,158,564</u>
Net assets at end of year	<u>\$13,992,981</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$1,034,442	\$226,390	\$1,996,314	\$240,165	\$3,497,311
Investments			6,376,123	359,438	6,735,561
Receivables:					
Taxes	1,510,064	535,097		93,617	2,138,778
Accounts	426			198	624
Intergovernmental	8,093		8,836,938		8,845,031
Accrued interest	3,020		65,941	2,912	71,873
Materials and supplies inventory	5,591			3,997	9,588
Total assets	<u>2,561,636</u>	<u>761,487</u>	<u>17,275,316</u>	<u>700,327</u>	<u>21,298,766</u>
Liabilities:					
Accounts payable	15,181			1,762	16,943
Contracts payable			20,196		20,196
Accrued wages and benefits	389,780			4,251	394,031
Compensated absences payable	19,535				19,535
Pension obligation payable	97,718			4,726	102,444
Intergovernmental payable	10,942			493	11,435
Deferred revenue	7,120	3,559	8,870,803	3,534	8,885,016
Unearned revenue	1,033,891	513,798		89,903	1,637,592
Total liabilities	<u>1,574,167</u>	<u>517,357</u>	<u>8,890,999</u>	<u>104,669</u>	<u>11,087,192</u>
Fund Balances:					
Reserved for encumbrances	45,399		49,506	2,557	97,462
Reserved for materials and supplies inventory	5,591			3,997	9,588
Reserved for property tax unavailable for appropriation	34,927	17,740		3,092	55,759
Reserved for debt service		226,390			226,390
Unreserved, undesignated, reported in:					
General fund	901,552				901,552
Special revenue funds				102,237	102,237
Capital projects funds			8,334,811	483,775	8,818,586
Total fund balances	<u>987,469</u>	<u>244,130</u>	<u>8,384,317</u>	<u>595,658</u>	<u>10,211,574</u>
Total liabilities and fund balances	<u>\$2,561,636</u>	<u>\$761,487</u>	<u>\$17,275,316</u>	<u>\$700,327</u>	<u>\$21,298,766</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total governmental fund balances		\$10,211,574
 Amounts reported for governmental activities on 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.		3,534,269
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$11,301	
Intergovernmental receivable	8,836,938	
Accrued interest	<u>36,777</u>	
Total		8,885,016
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(89,435)
Unamortized bond issuance costs are not recognized in the funds.		179,007
Unamortized premiums on bond issuances are not recognized in the funds.		(230,410)
Unamortized deferred amounts on refundings are not recognized in the funds.		44,381
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(365,510)	
General obligation bonds payable	(7,775,911)	
Tax anticipation note	<u>(400,000)</u>	
Total		<u>(8,541,421)</u>
Net assets of governmental activities		<u><u>\$13,992,981</u></u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$2,201,523	\$377,899		\$52,469	\$2,631,891
Tuition	350,083				350,083
Charges for services				108,913	108,913
Earnings on investments	53,620	35,612	\$81,649	27,569	198,450
Extracurricular				88,031	88,031
Classroom materials and fees				31,494	31,494
Other local revenues	3,187			45,540	48,727
Intergovernmental - State	2,494,593	57,211	2,132,073	76,352	4,760,229
Intergovernmental - Federal	4,633			259,173	263,806
Total revenues	<u>5,107,639</u>	<u>470,722</u>	<u>2,213,722</u>	<u>689,541</u>	<u>8,481,624</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,480,224			113,707	2,593,931
Special	262,147			166,207	428,354
Vocational	433				433
Other	5,496				5,496
Support services:					
Pupil	210,670				210,670
Instructional staff	240,465			15,465	255,930
Board of education	5,631				5,631
Administration	583,978			31,172	615,150
Fiscal	193,768	6,130		2,335	202,233
Business	1,495				1,495
Operations and maintenance	361,318			11,075	372,393
Pupil transportation	233,824				233,824
Central				1,214	1,214
Food service operations				132,234	132,234
Other non-instructional services	7,358			2,800	10,158
Extracurricular activities	135,654			67,812	203,466
Facilities acquisition and construction			274,405	22,122	296,527
Debt service:					
Principal retirement		6,555,000			6,555,000
Interest and fiscal charges		261,278			261,278
Bond issuance costs		182,282			182,282
Total expenditures	<u>4,722,461</u>	<u>7,004,690</u>	<u>274,405</u>	<u>566,143</u>	<u>12,567,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>385,178</u>	<u>(6,533,968)</u>	<u>1,939,317</u>	<u>123,398</u>	<u>(4,086,075)</u>
Other financing sources (uses):					
Sale of bonds		7,399,998			7,399,998
Sale of notes			6,445,000	400,000	6,845,000
Premium on sale of bonds		234,625			234,625
Payment to refunded bond escrow agent		(1,002,373)			(1,002,373)
Total other financing sources (uses)		<u>6,632,250</u>	<u>6,445,000</u>	<u>400,000</u>	<u>13,477,250</u>
Net change in fund balances	385,178	98,282	8,384,317	523,398	9,391,175
Fund balances at beginning of year	602,291	145,848		72,260	820,399
Fund balances at end of year	<u>\$987,469</u>	<u>\$244,130</u>	<u>\$8,384,317</u>	<u>\$595,658</u>	<u>\$10,211,574</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**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, 2008**

Net change in fund balances - total governmental funds \$9,391,175

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$584,004	
Current year depreciation	(163,014)	
Total		420,990

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (6,348)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	9,036	
Intergovernmental	8,834,384	
Interest income	36,777	
Total		8,880,197

Issuance of refunding bonds is recorded as an other financing source in the funds; however in the statement of activities, it is not reported as revenues as it increases liabilities on the statement of net assets. (7,399,998)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

Notes	6,445,000	
Bonds	110,000	
Total		6,555,000

Issuances of notes and bonds are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.

Notes	(400,000)	
Bonds	(6,445,000)	
Total		(6,845,000)

Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred in the fiscal year:

Bonds refunded	955,000	
Deferred charges on refundings	47,373	
Total		1,002,373

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported on the statement of activities:

Increase in accrued interest payable	(83,700)	
Accretion of interest on "capital appreciation" bonds	(10,913)	
Amortization of bond premium	4,215	
Amortization of deferred charges on refundings	(2,992)	
Amortization of bond issue costs	(3,275)	
Total		(96,665)

Premiums on debt issuances are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (234,625)

Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. 182,282

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (14,964)

Change in net assets of governmental activities \$11,834,417

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues:				
From local sources:				
Taxes	\$2,187,090	\$2,204,745	\$2,207,848	\$3,103
Tuition	347,280	350,083	350,083	
Earnings on investments	54,560	55,000	53,797	(1,203)
Other local revenues	3,037	3,062	3,187	125
Intergovernmental - State	2,424,723	2,444,296	2,486,500	42,204
Intergovernmental - Federal	4,596	4,633	4,633	
Total revenue	<u>5,021,286</u>	<u>5,061,819</u>	<u>5,106,048</u>	<u>44,229</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,495,251	2,513,183	2,452,118	61,065
Special	269,796	271,735	259,386	12,349
Vocational	447	450	433	17
Other	6,305	6,350	5,502	848
Support services:				
Pupil	217,564	219,127	208,608	10,519
Instructional staff	246,729	248,502	276,167	(27,665)
Board of education	4,711	4,745	5,631	(886)
Administration	576,588	580,731	589,035	(8,304)
Fiscal	230,904	232,563	222,841	9,722
Business	2,482	2,500	1,495	1,005
Operations and maintenance	353,970	356,514	361,834	(5,320)
Pupil transportation	211,432	212,951	228,134	(15,183)
Operation of non-instructional services			5,337	(5,337)
Extracurricular activities	141,978	142,998	140,503	2,495
Facilities acquisition and construction	887,282	893,658		893,658
Total expenditures	<u>5,645,439</u>	<u>5,686,007</u>	<u>4,757,024</u>	<u>928,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(624,153)</u>	<u>(624,188)</u>	<u>349,024</u>	<u>973,212</u>
Other financing sources:				
Refund of prior year expenditure	2,719	2,741	2,741	
Advances in	1,587	1,600	1,600	
Total other financing sources	<u>4,306</u>	<u>4,341</u>	<u>4,341</u>	
Net change in fund balance	(619,847)	(619,847)	353,365	973,212
Fund balance at beginning of year	605,187	605,187	605,187	
Prior year encumbrances appropriated	14,660	14,660	14,660	
Fund balance at end of year	<u>\$0</u>	<u>\$0</u>	<u>\$973,212</u>	<u>\$973,212</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$391	\$27,256
Investments	50,000	
Receivables:		
Interest	226	
Notes	17,400	
Total assets	68,017	27,256
Liabilities:		
Accounts payable		88
Due to students		27,168
Total liabilities		\$27,256
Net Assets:		
Held in trust for scholarships	68,017	
Total net assets	\$68,017	

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Interest	\$2,072
Total additions	<u>2,072</u>
Change in net assets	2,072
Net assets at beginning of year	<u>65,945</u>
Net assets at end of year	<u><u>\$68,017</u></u>

See accompanying notes to the basic financial statements.

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1923 through the consolidation of existing land areas and school districts. The District serves an area of approximately 42 square miles. It is located in Miami County, and includes all of the Village of Pleasant Hill and a portion of Darke County. It is staffed by 25 non-certified employees, 45 certified full-time teaching personnel and three administrative employees who provide services to 524 students and other community members. The District currently operates one instructional-administrative building and one bus garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 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 District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following organizations are described due to their relationship to the District:

1. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. 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 MDECA consists of seven superintendents of member school districts, with six of the superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the general fund. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Miami, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

2. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to cover the costs of administering the GRP.

Ohio School Risk Sharing Authority - The Center participates in the Ohio School Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a nine member board consisting of superintendents, treasurers and business managers.

The Frank Gates Service Company is responsible for processing claims. Willis Pooling serves as the Plan's administrator, sales representative and marketing representative which establishes agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan - The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

Governmental funds are those through which most governmental functions typically 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 District's major governmental funds:

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation long-term debt principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment.

Classroom Facilities - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

2. 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

2. Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

1. 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. Available means that the resources will be collected 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 District, available means expected to be received within sixty days of fiscal year-end.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income 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 5).

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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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 as an advance, income taxes, interest, tuition, grants, student fees and rentals.

2. Unearned Revenue and Deferred Revenue

Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue in the fund statements.

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

3. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of intergovernmental revenue used during the year is reported in the operating statement as an expense with a like amount reported as inventory revenue. Unused donated commodities are reported as donated commodities revenue.

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 governmental funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations, by fund, cannot exceed estimated resources as certified.

All funds, other than the agency fund, are required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level of control may only be made by resolution of the Board of Education.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Miami County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final certificate of estimated resources in effect at the time the original and final appropriation resolutions were passed by the Board of Education.

3. Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The budget figures which appear in the statements of budgetary comparisons represent the original and final appropriation amounts adopted during the current fiscal year. Formal budgetary integration is employed as a management control device by the Board of Education during the year for all funds, other than the agency fund, consistent with statutory provisions.

4. Encumbrances

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" and "investments" on the basic financial statements.

The District has invested funds in federal agency securities, U.S. Government money markets, non-negotiable certificates of deposit (CD's), and the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2008.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$53,620, which includes \$7,839 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. 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. The District does not possess infrastructure.

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:

Description	Governmental Activities Estimated Lives
Land improvements	5 - 7 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans outstanding at June 30, 2008.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (sick leave) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. 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, claims and judgments and compensated absences 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 during the current year. Bonds and notes are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The 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 equity reserves have been established for encumbrances, materials and supplies inventory, debt service and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Estimates

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

O. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt. On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 12) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Non-major Funds</u>	<u>Deficit</u>
EMIS	\$21
Title I	147

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Cash on Hand

At June 30, 2008, the District had \$300 in un-deposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$2,508,019. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,838,961 of the District's bank balance of \$2,538,961 was exposed to custodial risk as discussed below, while \$700,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2008, the District had the following investments and maturities:

Investment type	Balance at Fair Value	Investment Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FFCB	\$ 154,705		\$50,157	\$ 104,548		
FHLB	4,840,509		51,828	711,250	\$ 862,464	\$3,214,967
FNMA	489,647			203,500	286,147	
FHLMC	850,700				850,700	
U.S. Government money market	161,092	\$ 161,092				
STAR Ohio	1,305,547	1,305,547				
	<u>\$7,802,200</u>	<u>\$1,466,639</u>	<u>\$101,985</u>	<u>\$1,019,298</u>	<u>\$1,999,311</u>	<u>\$3,214,967</u>

The weighted average maturity of investments is 2.14 years.

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and the U.S. Government money market carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investments in federal agency securities were rated Aaa and AAA by Standard & Poor's and Moody's Investor Services, respectively.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FFCB	\$ 154,705	1.99
FHLB	4,840,509	62.04
FNMA	489,647	6.28
FHLMC	850,700	10.90
U.S. Government money market	161,092	2.06
STAR Ohio	<u>1,305,547</u>	<u>16.73</u>
Total	<u>\$7,802,200</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,508,019
Investments	7,802,200
Cash on hand	300
Total	<u>\$10,310,519</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$10,232,872
Private-purpose trust funds	50,391
Agency funds	27,256
Total	<u>\$10,310,519</u>

5. PROPERTY TAXES

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to 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 District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Miami and Darke County. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date 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, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2008 was \$34,927 in the general fund, \$17,740 in the debt service fund, and \$3,092 in the permanent improvement fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$24,918 in the general fund and \$4,730 in the debt service fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$52,055,970	96.85	\$59,764,440	97.25
Public utility personal	1,419,010	2.64	1,278,770	2.08
Tangible personal property	272,980	0.51	409,550	0.67
Total	\$53,747,960	100.00	\$61,452,760	100.00
Tax rate per \$1,000 of assessed valuation	\$39.60		\$47.95	

6. SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of one percent continuing and a .75% three year temporary for general operations on the income of residents and of estates. The tax was effective on January 1, 1993. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$1,173,260 was credited to the general fund during fiscal year 2008.

7. RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<u>Governmental activities</u>	
Taxes	\$ 2,138,778
Intergovernmental Receivable	8,845,031
Accounts	624
Accrued interest	71,873
Total	<u>\$11,056,306</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year except for the OSFC grant which will be collected over the term of the construction project.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 203,373			\$ 203,373
Construction in progress		\$274,405		274,405
Total capital assets, not being depreciated	<u>203,373</u>	<u>274,405</u>		<u>477,778</u>
Capital assets, being depreciated:				
Land improvements	55,053	-		55,053
Buildings and improvements	3,602,946	172,958		3,775,904
Furniture and equipment	1,125,517	133,541	(\$174,297)	1,084,761
Vehicles	455,043	3,100	(70,187)	387,956
Total capital assets, being depreciated	<u>5,238,559</u>	<u>309,599</u>	<u>(244,484)</u>	<u>5,303,674</u>
Less: accumulated depreciation:				
Land improvements	(40,485)	(1,566)		(42,051)
Buildings and improvements	(1,141,287)	(53,610)		(1,194,897)
Furniture and equipment	(822,097)	(85,335)	167,949	(739,483)
Vehicles	(318,436)	(22,503)	70,187	(270,752)
Total accumulated depreciation	<u>(2,322,305)</u>	<u>(163,014)</u>	<u>238,136</u>	<u>(2,247,183)</u>
Governmental activities capital assets, net	<u>\$3,119,627</u>	<u>\$420,990</u>	<u>\$(6,348)</u>	<u>\$3,534,269</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 81,448
Special	3,411
Vocational	1,399
Support services:	
Pupil	1,910
Instructional staff	12,672
Administration	5,120
Fiscal	614
Operations and maintenance	5,529
Pupil transportation	22,718
Extracurricular activities	21,811
Food service operations	6,382
Total depreciation expense	<u>\$163,014</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. LONG-TERM OBLIGATIONS

A. During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding 06/30/07	Additions	Reductions	Balance Outstanding 06/30/08	Amounts Due in One Year
Governmental activities:					
General obligation bonds - Series 1998	\$1,430,000		(\$1,065,000)	\$ 365,000	\$115,000
School facilities construction and advance refunding bonds - Series 2008					
Current interest bonds		\$ 7,270,000		7,270,000	25,000
Capital appreciation bonds		129,998		129,998	
Accreted interest		10,913		10,913	
Total G.O. bonds	1,430,000	7,410,911	(1,065,000)	7,775,911	140,000
Bond anticipation note		6,445,000	(6,445,000)		
Tax anticipation note		400,000	-	400,000	36,173
Compensated absences	355,883	61,493	(32,331)	385,045	50,526
Total	\$1,785,883	\$14,317,404	(\$7,542,331)	8,560,956	\$226,699
Add: Unamortized premium on bonds				230,410	
Less: Unamortized deferred charge on refunding				(44,381)	
Total on statement of net assets				\$8,746,985	

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, which for the District is primarily the general fund.

Bond Anticipation Notes: On December 19, 2007, the District issued \$6,445,000 in Ohio School Facilities Construction Notes in anticipation of the issuance of bonds for the purpose of constructing, renovating and improving facilities and acquiring land. The notes bore an accrued interest rate of 4.25% and matured on June 11, 2008.

Tax Anticipation Notes: On April 17, 2008, the District issued \$400,000 in tax anticipation notes to be repaid over the next 10 years with tax revenues generated by a tax levy. These notes will be used to finance the construction of public school facilities. The notes mature on January 15, 2018 and will be paid from the permanent improvement fund (a non-major fund).

General Obligation Bonds Payable - Series 1998: On February 15, 1998, the District issued \$2,150,000 in general obligation bonds. The proceeds of these bonds were used to provide long-term financing of the District's building projects. These bonds were scheduled to mature in fiscal year 2017. These general obligation bonds were issued to pay judgments against the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net assets. A portion of the Series 1998 general obligation bonds was refunded during fiscal year 2008 in the amount of \$955,000. The remaining balance of the Series 1998 general obligation bonds matures December 1, 2010. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

School Facilities Construction and Advance Refunding Bonds - Series 2008: On March 18, 2008, the District issued general obligation bonds to finance the local share portion of the Ohio School Facilities Commission project (\$6,444,998) and to advance refund the callable portion of the Series 1998 general obligation bonds (\$955,000). This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded Series 1998 current interest bonds at June 30, 2008, is \$955,000.

The Series 2008 issue is comprised of both current interest bonds, par value \$7,270,000, and capital appreciation bonds par value \$129,998. The interest rates on the current interest bonds range from 3.00% - 4.25%. The capital appreciation bonds mature on January 15, 2013 (effective interest rate 17.027%), January 15, 2014 (effective interest rate 31.704%), and January 15, 2015 (effective interest rate 31.704%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing January 15, 2013 is \$165,000, January 15, 2014 is \$175,000, and January 15, 2015 is \$175,000. Total accreted interest of \$10,913 has been included on the statement of net assets at June 30, 2008.

Interest payments on the current interest bonds are due on July 15 and January 15 of each year. The final maturity stated in the issue is January 15, 2036. Payments of principal and interest are recorded as expenditures of the debt service fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$47,373. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 9 years by \$63,190 and resulted in an economic gain of \$26,149.

Principal and interest requirements to retire general obligation debt at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds – Series 1998		
	Principal	Interest	Total
2009	\$115,000	\$16,144	\$131,144
2010	120,000	9,975	129,975
2011	130,000	3,412	133,412
Total	<u>\$365,000</u>	<u>\$29,531</u>	<u>\$394,531</u>

Fiscal Year Ending June 30,	Current Interest School Improvement and Refunding Bonds – Series 2008			Capital Appreciation School Improvement and Refunding Bonds – Series 2008		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 25,000	\$ 146,119	\$ 171,119			
2010	150,000	291,488	441,488			
2011	305,000	286,612	591,612			
2012	325,000	276,700	601,700			
2013	170,000	265,326	435,326	\$ 74,999	\$ 90,001	\$165,000
2014 – 2018	1,085,000	1,211,652	2,296,652	54,999	295,001	350,000
2019 – 2023	1,085,000	996,475	2,081,475			
2024 – 2028	1,330,000	758,912	2,088,912			
2029 – 2033	1,635,000	459,535	2,094,535			
2034 – 2036	1,160,000	100,087	1,260,087			
Total	<u>\$7,270,000</u>	<u>\$4,792,906</u>	<u>\$12,062,906</u>	<u>\$129,998</u>	<u>\$385,002</u>	<u>\$515,000</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Tax Anticipation Notes		
	Principal	Interest	Total
2009	\$ 36,173	\$13,240	\$ 49,413
2010	36,974	16,117	53,091
2011	37,793	14,480	52,273
2012	38,630	12,805	51,435
2013	39,486	11,094	50,580
2014 – 2018	210,944	28,444	239,388
Total	<u>\$400,000</u>	<u>\$96,180</u>	<u>\$496,180</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, resulted in no remaining voted debt margin and an unvoted debt margin of \$61,043.

10. RISK MANAGEMENT

A. Property and Liability

The 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 2008, the District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for fleet insurance, crime, electronic data processing, equipment floater and property insurance. Insurance coverage provided includes the following:

<u>Description</u>	<u>Amount</u>
Building and Contents-replacement cost (\$250 deductible)	\$17,306,519
Equipment Floater Coverage (\$250 deductible)	
Electronic Data Processing Coverage (\$250 deductible)	1,250,000
Crime Insurance (\$250 deductible)	50,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

During fiscal year 2008, the District joined together with other school districts in Ohio to participate in the SORSA, a public entity insurance purchasing pool. Each individual school district enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the SORSA (see Note 2.A.). The District contracts for education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability and employment practices with SORSA.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. RISK MANAGEMENT (Continued)

The types and amounts of coverage provided by the SORSA are as follows:

Education General Liability	
Each Occurrence	\$1,000,000
Personal and Advertising Injury Limit – each offense	1,000,000
Fire Damage Limit – any one event	500,000
Medical Expense – any one person/each accident	5,000/25,000
General Aggregate Limit	3,000,000
Products – completed operations limit	1,000,000
Employer’s Liability and Stop Gap	
Each Occurrence	1,000,000
Disease – each employee	1,000,000
Errors and Omissions Liability (\$5,000 deductible)	
Per Occurrence	1,000,000
Aggregate limit	1,000,000
Excess Liability	
Each Occurrence	3,000,000
Aggregate limit	3,000,000

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

B. Workers’ Compensation

For fiscal year 2008, the District participated in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers’ compensation experience of the participating 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 districts that can meet the GRP’s selection criteria. The firm of Hunter Consulting Company provides administrative, cost control and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2008, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 2.A.). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP’s selection criteria.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. PENSION PLANS

A. School Employees Retirement System

Plan Description - The 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 contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$47,620, \$52,975 and \$49,987, respectively; 41.47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 contacting STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. PENSION PLANS (Continued)

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$278,358, \$282,834, and \$274,022, respectively; 83.62 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$174 made by the District and \$4,540 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS of Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. POSTEMPLOYMENT BENEFITS

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$32,586, \$27,867, and \$27,152, respectively; 41.47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$3,431, \$3,602, and \$3,979, respectively; 41.47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$21,412, \$21,756 and \$21,079, respectively; 83.62 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

13. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. BUDGETARY BASIS OF ACCOUNTING (Continued)

- c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	General Fund
Net Change in Fund Balance	
Budget basis	\$353,365
Net adjustment for revenue accruals	1,591
Net adjustment for expenditure accruals	(26,667)
Net adjustment for other sources/uses	(4,341)
Adjustment for encumbrances	61,230
GAAP basis	\$385,178

14. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

15. STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside balance as of June 30, 2007	(\$124,112)	
Current year set-aside requirement	76,826	\$ 76,826
Current year offsets		(159,377)
Qualifying disbursements	(166,735)	(69,639)
Total	(\$214,021)	(\$152,190)
Balance carried forward to FY 2009	(\$214,021)	\$ 0

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

15. STATUTORY RESERVES - (Continued)

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year. The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years.

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Mary Taylor, CPA

Auditor of State

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

Newton Local School District
Miami County
201 North Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, (the District) as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of finding we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated March 10, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 10, 2010.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 10, 2010

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008**

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

FINDING NUMBER 2009-001

MATERIAL WEAKNESS

Financial Reporting

There were several errors noted with the District's financial statements that were prepared for the period. A summary of the errors are as follows:

- The 2009 budgetary statement used the accounting system amounts at year-end for budgeted revenue and expenditures, but the accounting system included modifications to the budgetary amounts that were not adopted prior to June 30, 2009. Budgeted expenditures, in the amount of \$1,344,348, have been adjusted, but budgeted revenues have not been adjusted on the budgetary statement.
- 2009 Cash and cash equivalents were overstated and investments were understated \$700,000 in the Classroom Facilities Fund and cash and cash equivalents were overstated and investments were understated by \$15,000 in the Other Governmental Funds. This was caused by certificates of deposit with an original maturity greater than three months being included as cash and cash equivalents. The financial statements have not been adjusted for these errors.
- The amount booked as delinquent property taxes at June 30, 2009 was actually booked as if it were the amount available as an advance from the County Auditor at June 30, and vice versa. This caused errors in the following line items for the General Fund and Other Governmental Funds: taxes receivable, tax revenue, deferred revenue, unearned revenue, fund balance – unreserved, and fund balance – reserved for property tax unavailable for appropriation. The General Fund unreserved fund balance and reserve for property tax unavailable for appropriation were adjusted by \$115,209 and the Debt Service fund property tax receivable, and property tax revenue were adjusted by \$57,823.
- The 2009 contracts payable and reserved for encumbrance amounts in the Classroom Facilities Fund were calculated with no consideration as to when the contract work was actually performed. This resulted in an overstatement of Classroom Facilities Fund contracts payable, Classroom Facilities Fund facilities and acquisition expenditure, and Government Type Activities construction in progress in the amount of \$1,002,086. The error also resulted in an understatement of Classroom Facilities Fund reserved for encumbrances in the amount of \$995,505. The financial statements have been adjusted to reflect all of these errors.
- An interest payment was made on the Series 2008 Refunding Bonds on June 25, 2009, but the accrued interest payable liability was calculated as if the last fiscal year 2009 interest payment on this debt was made on January 15, 2009. This resulted in an overstatement in accrued interest payable and the corresponding expense for the Governmental Activities in the amount of \$132,931.

Failure to closely review GAAP calculations could lead to possible financial statement misstatements that could result and in some cases, did result in adjustments to the financial statements.

The District should implement procedures to review GAAP calculations to ensure the accurate presentation of its GAAP financial statements and notes.

Client Response:

The Client chose not to respond to the finding.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Capital Assets Weaknesses	Yes	
2007-002	Financial Reporting Errors	No	Repeated as Finding 2009-001



Mary Taylor, CPA

Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Newton Local School District
Miami County
201 North Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Newton Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on November 15, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;
 - 7) A procedure for responding to and investigating any reported incident;

- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 10, 2010



Mary Taylor, CPA
Auditor of State

NEWTON LOCAL SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 13, 2010**