



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 N. 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 year ended June 30, 2010, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash 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, 2010, and the respective changes in modified cash financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2010, the District changed its financial presentation to a comprehensive basis of accounting other than generally accepted accounting principles as described in Note 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 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 the Governmental Accounting Standards Board 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

November 3, 2010

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 year ended June 30, 2010, within the limitations of the District's modified cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the modified cash-basis 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 2010 are as follows:

- The total net cash assets of the District decreased \$6,099,041 or 41.27% from fiscal year 2009.
- General cash receipts accounted for \$5,514,485 or 52.73% of total governmental activities cash receipts. Program specific cash receipts accounted for \$4,943,094 or 47.27% of total governmental activities cash receipts.
- The District had \$16,556,620 in cash disbursements related to governmental activities; \$4,943,094 of these cash disbursements were offset by program specific charges for services, grants or contributions.
- The District's major funds are the general fund and classroom facilities capital projects fund. The general fund had cash receipts of \$4,982,804 in 2010. The cash disbursements of the general fund totaled \$4,679,107 in 2010. The general fund's cash balance increased \$303,697 or 21.22% from 2009 to 2010.
- The classroom facilities capital projects fund, a District major fund, had cash receipts of \$3,918,148 in 2010. The classroom facilities capital projects fund had cash disbursements of \$10,586,801 in 2010. The classroom facilities capital projects fund cash balance decreased \$6,668,653 or 54.51% from 2009 to 2010.

Using the Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net assets – modified cash basis and statement of activities – modified cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis 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 non-major funds presented in total in one column. In the case of the District, there are two major governmental funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Reporting the District as a Whole

Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis

The statement of net assets – modified cash basis and statement of activities – modified cash basis answer the question, “How did we do financially during 2010?” These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the District’s net cash assets and changes in those assets on a modified cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the cash basis 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, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

The statement of net assets – modified cash basis and statement of activities – modified cash basis can be found on pages 13-14 of this report.

Reporting the District’s Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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 major governmental funds are the general fund and the classroom facilities capital projects fund. The analysis of the District’s major governmental funds begins on page 9.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed 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 cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets cash basis and changes in fiduciary net assets cash basis on pages 18-19. 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 full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21-42 of this report.

Government-Wide Financial Analysis

Recall that the statement of net assets – modified cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash assets at June 30, 2010 and June 30, 2009. The amounts for 2009 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2010 financial statements (see Note 3.B. to the financial statements for detail).

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

	Governmental Activities 2010	Restated Governmental Activities 2009
Assets:		
Equity in pooled cash and cash equivalents	\$8,112,023	\$ 8,603,425
Cash in segregated accounts	175,000	-
Investments	393,150	6,175,789
Total assets	8,680,173	14,779,214
Net Cash Assets:		
Restricted	6,945,603	13,348,341
Unrestricted	1,734,570	1,430,873
Total net cash assets	\$ 8,680,173	\$14,779,214

The total net cash assets of the District decreased \$6,099,041 which represents a 41.27% decrease from fiscal year 2009. This decrease was due to the District's Ohio School Facilities construction project. The balance of government-wide unrestricted net cash assets of \$1,734,570 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal year 2010 and 2009. The amounts for 2009 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2010 financial statements.

	Governmental Activities 2010	Restated Governmental Activities 2009
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 591,617	\$ 589,783
Operating grants and contributions	569,733	423,267
Capital grants and contributions	3,781,744	5,018,220
Total program cash receipts	4,943,094	6,031,270
General cash receipts:		
Property and other taxes	2,872,086	2,905,426
Unrestricted grants:		
Operating	2,445,189	2,468,748
Investment earnings	155,596	336,826
Other	41,614	1,672
Total general cash receipts	5,514,485	5,712,672
Total cash receipts	\$10,457,579	\$11,743,942

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

	<u>Governmental Activities 2010</u>	<u>Restated Governmental Activities 2009</u>
Cash Disbursements:		
Instruction:		
Regular	\$2,496,352	\$ 2,469,311
Special	329,996	419,891
Vocational	102	
Other	8,211	8,683
Support services:		
Pupil	232,174	239,865
Instructional staff	216,314	174,275
Board of education	5,994	5,268
Administration	705,994	670,440
Fiscal	248,563	222,917
Business	1,123	975
Operations and maintenance	470,129	383,931
Pupil transportation	296,626	295,171
Central	3,675	3,557
Operation of non instructional services	54,007	7,121
Food service operations	143,530	143,745
Extracurricular	277,471	197,900
Facilities acquisition and construction	10,587,548	1,479,987
Debt service:		
Principal retirement	306,974	176,173
Interest and fiscal charges	171,837	321,247
Total cash disbursements	<u>16,556,620</u>	<u>7,220,457</u>
Change in net cash assets	(6,099,041)	4,523,485
Net cash assets at beginning of year (restated)	<u>14,779,214</u>	<u>10,255,729</u>
Net cash assets at end of year	<u>\$8,680,173</u>	<u>\$14,779,214</u>

Governmental Activities

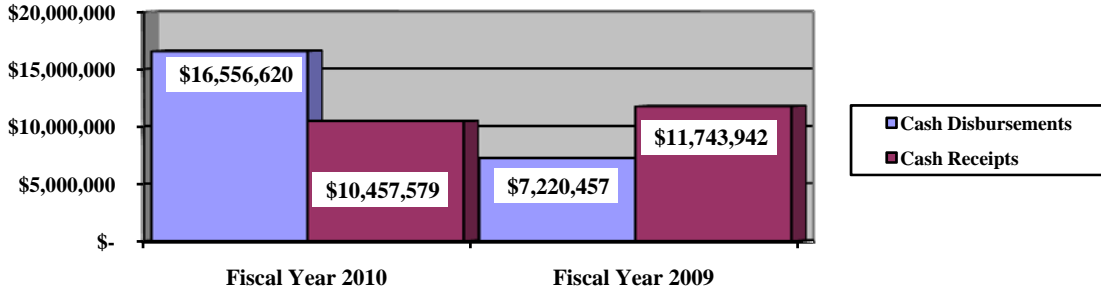
Governmental cash assets decreased by \$6,099,041 in 2010 from 2009. Total governmental disbursements of \$16,556,620 were offset by program receipts of \$4,943,094 and general receipts of \$5,514,485. Program receipts supported 29.86% of the total governmental disbursements. The two largest governmental disbursements were instructional expenditures which totaled \$2,834,661 and facilities acquisition and construction of \$10,587,548.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 50.85% of total governmental receipts. Real estate property is reappraised every six years.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



Governmental Activities			
Total Cost of Services 2010	Net Cost of Services 2010	Restated Total Cost of Services 2009	Restated Net Cost of Services 2009

Cash disbursements:

Instruction:

Regular	\$ 2,496,352	\$ 2,090,747	\$2,469,311	\$2,012,786
Special	329,996	122,364	419,891	155,019
Vocational	102	(6,874)		
Other	8,211	6,977	8,683	8,683

Support services:

Pupil	232,174	207,094	239,865	239,865
Instructional staff	216,314	181,362	174,275	174,275
Board of education	5,994	5,994	5,268	5,268
Administration	705,994	675,795	670,440	628,556
Fiscal	248,563	247,420	222,917	221,417
Business	1,123	1,123	975	975
Operations and maintenance	470,129	328,782	383,931	383,410
Pupil transportation	296,626	216,844	295,171	279,322
Central	3,675	(684)	3,557	(6,706)
Operation of non instructional services	54,007	52,228	7,121	(5,742)
Food service operations	143,530	(20,118)	143,745	(11,373)
Extracurricular	277,471	211,677	197,900	139,684
Facilities acquisition and construction	10,587,548	6,813,984	1,479,987	(3,533,672)

Debt service:

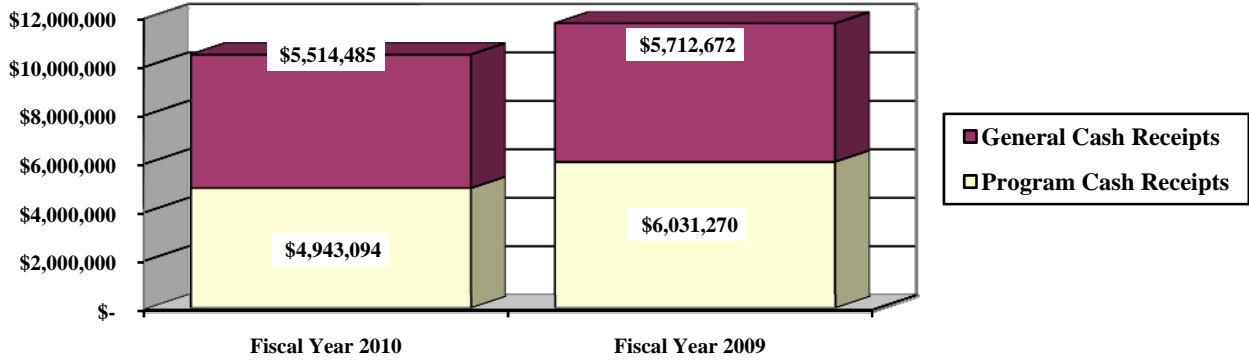
Principal retirement	306,974	306,974	176,173	176,173
Interest and fiscal charges	171,837	171,837	321,247	321,247
Total	\$16,556,620	\$11,613,526	\$7,220,457	\$1,189,187

The dependence upon general cash receipts for governmental activities is apparent; with only 29.86% of cash disbursements supported through program cash receipts during 2010.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Governmental Activities – General and Program Cash Receipts



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$8,680,173, which is \$6,099,041 below last year's total of \$14,779,214. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2010 and June 30, 2009, for all major and non-major governmental funds.

	Fund Cash Balance June 30, 2010	Restated Fund Cash Balance June 30, 2009	Increase (Decrease)
General	\$1,734,570	\$ 1,430,873	\$ 303,697
Classroom facilities	5,564,793	12,233,446	(6,668,653)
Other non-major governmental funds	1,380,810	1,114,895	265,915
Total	\$8,680,173	\$14,779,214	\$(6,099,041)

General Fund

The District's major funds are the general fund and the classroom facilities capital projects fund. The general fund had cash receipts of \$4,982,804 in 2010. The cash disbursements of the general fund totaled \$4,679,107 in 2010. The general fund's cash balance increased \$303,697 or 21.22% from 2009 to 2010.

The table that follows assists in illustrating the cash receipts of the general fund. The amounts for 2009 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2010 financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

	2010 Amount	Restated 2009 Amount	Percentage Change
Cash Receipts:			
Taxes	\$2,231,878	\$2,277,844	(2.02)%
Tuition	377,394	365,301	3.31%
Earnings on investments	5,737	29,303	(80.42)%
Other local revenues	37,696	1,354	2,684.05%
Intergovernmental	2,330,099	2,483,575	(6.18)%
Total	<u>\$4,982,804</u>	<u>\$5,157,377</u>	(3.38)%

The table that follows assists in illustrating the expenditures of the general fund. The amounts for 2009 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2010 financial statements.

	2010 Amount	Restated 2009 Amount	Percentage Change
Cash Disbursements:			
Instruction	\$2,594,851	\$2,664,664	(2.62)%
Support services	1,822,932	1,949,971	(6.51)%
Operation of non instruction	52,507	2,021	2,498.07%
Extracurricular	208,817	144,903	44.11%
Total	<u>\$4,679,107</u>	<u>\$4,761,559</u>	(1.73)%

Classroom Facilities Fund

The classroom facilities capital projects fund, a District major fund, had cash receipts of \$3,918,148 in 2010. The classroom facilities capital projects fund had cash disbursements of \$10,586,801 in 2010. The classroom facilities capital projects fund cash balance decreased \$6,668,653 or 54.51% from 2009 to 2010 due to the District's ongoing construction project.

Budgeting Highlights – General Fund

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.

For the general fund, final budgetary basis receipts of \$4,986,101 were higher than the original budget estimates of \$4,984,308. Actual cash receipts of \$4,982,804 were less than final budget estimates by \$3,297.

The final budgetary basis disbursements of \$6,416,974 were more than the original budget estimates of \$6,415,181. The actual budgetary basis disbursements of \$4,896,324 were \$1,520,650 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$10,587,548 during fiscal year 2010.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2010 and 2009:

	Governmental Activities 2010	Governmental Activities 2009
General obligation bonds – Series 1998	\$ 130,000	\$ 250,000
Refunding bonds – Series 2008:		
Current interest bonds	7,095,000	7,245,000
Capital appreciation bonds	129,998	129,998
Accreted interest	90,015	45,706
Tax anticipation note	326,853	363,827
Total long-term obligations	<u>\$7,771,866</u>	<u>\$8,034,531</u>

Refer to Note 7 to the basic financial statements for further detail.

Current Financial Related Activities

Real estate tax revenue for fiscal year 2010 had a modest increase of 2.5%. Looking forward there is no significant growth expected.

Newton continues to receive ARRA funding via the state. The district is currently receiving around 7% of its foundation funding through SFSF revenue.

The ongoing recession had a negative impact on the district's school income tax collections for fiscal year 2010. Revenue was down by 6.0%. The first quarterly payment for fiscal year 2011 is down by 18.2%. The good news is the three-year temporary income tax passed in November 2009 and will continue until December 31, 2012.

Health insurance premiums continue to increase. An 11.2% premium increase will go into effect October 1, 2010. The Board and teachers union (NTA) have agreed to a two-year contract beginning July 1, 2010 and ending June 30, 2012. Base pay increases are 1.75% and 1.0% respectfully.

Newton Local School will begin this school year in a new state of the art K12 facility. Students begin classes August 30, 2010. Students, staff, and community are excited and are looking forward to the transition.

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.

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NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$8,112,023
Cash in segregated accounts	175,000
Investments	393,150
Total assets	<u>8,680,173</u>
Net Cash Assets:	
Restricted for:	
Capital projects	6,103,343
Classroom facilities maintenance	85,043
Debt service	596,121
State funded programs	7
Federally funded programs	2,769
Public school support	9,764
Student activities	18,593
Other purposes	129,963
Unrestricted	1,734,570
Total net cash assets	<u><u>\$8,680,173</u></u>

See accompanying notes to the basic financial statements.

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Assets	
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$2,496,352	\$381,027	\$24,578		(\$2,090,747)
Special	329,996	25,068	182,564		(122,364)
Vocational	102			\$6,976	6,874
Other	8,211		1,234		(6,977)
Support services:					
Pupil	232,174		25,080		(207,094)
Instructional staff	216,314		34,952		(181,362)
Board of education	5,994				(5,994)
Administration	705,994	20,947	9,252		(675,795)
Fiscal	248,563		1,143		(247,420)
Business	1,123				(1,123)
Operations and maintenance	470,129	1,017	140,330		(328,782)
Pupil transportation	296,626		78,578	1,204	(216,844)
Central	3,675		4,359		684
Operation of non-instructional services:					
Other non-instructional services	54,007		1,779		(52,228)
Food service operations	143,530	104,339	59,309		20,118
Extracurricular activities	277,471	59,219	6,575		(211,677)
Facilities acquisition and construction	10,587,548			3,773,564	(6,813,984)
Debt service:					
Principal retirement	306,974				(306,974)
Interest and fiscal charges	171,837				(171,837)
Totals	<u>\$16,556,620</u>	<u>\$591,617</u>	<u>\$569,733</u>	<u>\$3,781,744</u>	<u>(11,613,526)</u>

General Cash Receipts:

Property taxes levied for:

General purposes	1,100,646
Debt service	541,543
Capital outlay	71,741
Special revenue	26,924

Income taxes levied for:

General purposes	1,131,232
Grants and entitlements not restricted to specific programs	2,445,189
Investment earnings	155,596
Miscellaneous	41,614
Total general revenues	<u>5,514,485</u>

Change in net assets (6,099,041)

Net cash assets at beginning of year (restated) 14,779,214

Net cash assets at end of year \$8,680,173

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<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	\$1,734,570	\$4,996,643	\$1,380,810	\$8,112,023
Cash in segregated accounts		175,000		175,000
Investments		393,150		393,150
Total assets	<u>1,734,570</u>	<u>5,564,793</u>	<u>1,380,810</u>	<u>8,680,173</u>
Fund Cash Balances:				
Reserved for encumbrances	217,217	3,238,762	79,560	3,535,539
Reserved for debt service			596,121	596,121
Unreserved, undesignated, reported in:				
General fund	1,517,353			1,517,353
Special revenue funds			236,357	236,357
Capital projects funds		2,326,031	468,772	2,794,803
Total fund cash balances	<u>\$1,734,570</u>	<u>\$5,564,793</u>	<u>\$1,380,810</u>	<u>\$8,680,173</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
From local sources:				
Property taxes	\$1,100,646		\$640,208	\$1,740,854
Income taxes	1,131,232			1,131,232
Tuition	377,394			377,394
Earnings on investments	5,737	\$144,584	5,275	155,596
Charges for services			104,339	104,339
Extracurricular			80,166	80,166
Classroom materials and fees			28,701	28,701
Rental income	1,017			1,017
Contributions and donations			12,772	12,772
Other local revenues	36,679	4,705	4,935	46,319
Intergovernmental - state	2,325,218	3,768,859	133,792	6,227,869
Intergovernmental - federal	4,881		546,439	551,320
Total cash receipts	<u>4,982,804</u>	<u>3,918,148</u>	<u>1,556,627</u>	<u>10,457,579</u>
Cash disbursements:				
Current:				
Instruction:				
Regular	2,440,340		56,012	2,496,352
Special	147,432		182,564	329,996
Vocational	102			102
Other	6,977		1,234	8,211
Support services:				
Pupil	207,094		25,080	232,174
Instructional staff	181,362		34,952	216,314
Board of education	5,994			5,994
Administration	673,021		32,973	705,994
Fiscal	237,492		11,071	248,563
Business	1,123			1,123
Operations and maintenance	298,798		171,331	470,129
Pupil transportation	218,048		78,578	296,626
Central			3,675	3,675
Operation of non-instructional services	52,507		1,500	54,007
Food service operations			143,530	143,530
Extracurricular activities	208,817		68,654	277,471
Facilities acquisition and construction		10,586,801	747	10,587,548
Debt service:				
Principal retirement			306,974	306,974
Interest and fiscal charges			171,837	171,837
Total cash disbursement	<u>4,679,107</u>	<u>10,586,801</u>	<u>1,290,712</u>	<u>16,556,620</u>
Net change in fund balances	303,697	(6,668,653)	265,915	(6,099,041)
Fund cash balances at beginning of year (restated)	1,430,873	12,233,446	1,114,895	14,779,214
Fund cash balances at end of year	<u>\$1,734,570</u>	<u>\$5,564,793</u>	<u>\$1,380,810</u>	<u>\$8,680,173</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
From local sources:				
Property taxes	\$1,100,646	\$1,100,646	\$1,100,646	
Income taxes	1,131,232	1,131,232	1,131,232	
Tuition	377,394	377,394	377,394	
Earnings on investments	5,754	5,754	5,737	(\$17)
Rental income	1,017	1,017	1,017	
Other local revenues	38,166	39,959	36,679	(3,280)
Intergovernmental - state	2,325,218	2,325,218	2,325,218	
Intergovernmental - federal	4,881	4,881	4,881	
Total budgetary basis receipts	<u>4,984,308</u>	<u>4,986,101</u>	<u>4,982,804</u>	<u>(3,297)</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	2,419,479	2,421,272	2,442,510	(21,238)
Special	177,022	177,022	150,313	26,709
Vocational	450	450	102	348
Other	6,552	6,552	6,977	(425)
Support Services:				
Pupil	240,742	240,742	208,694	32,048
Instructional staff	207,313	207,313	357,722	(150,409)
Board of education	5,443	5,443	5,994	(551)
Administration	672,944	672,944	678,451	(5,507)
Fiscal	242,351	242,351	237,492	4,859
Business	1,300	1,300	1,123	177
Operations and maintenance	435,640	435,640	325,650	109,990
Pupil transportation	220,041	220,041	219,692	349
Operation of non-instructional services	50,000	50,000	52,507	(2,507)
Extracurricular activities	183,077	183,077	209,097	(26,020)
Facilities acquisition and construction	1,552,827	1,552,827		1,552,827
Total budgetary basis disbursements	<u>6,415,181</u>	<u>6,416,974</u>	<u>4,896,324</u>	<u>1,520,650</u>
Net change in fund cash balance	(1,430,873)	(1,430,873)	86,480	1,517,353
Fund cash balance at beginning of year	1,370,197	1,370,197	1,370,197	
Prior year encumbrances appropriated	60,676	60,676	60,676	
Fund cash balance at end of year	<u>\$0</u>	<u>\$0</u>	<u>\$1,517,353</u>	<u>\$1,517,353</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$57,266	\$23,292
Total assets	57,266	23,292
Net cash assets:		
Held in trust for scholarships	57,266	
Held for student activities		23,292
Total net cash assets	\$57,266	\$23,292

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$945
Gifts and contributions	2,000
Total additions	2,945
Change in net cash assets	2,945
Net cash assets at beginning of year (restated)	54,321
Net cash assets at end of year	\$57,266

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, 2010**

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 26 non-certified employees, 46 certified full-time teaching personnel and three administrative employees who provide services to 553 students and other community members. The District currently operates one instructional-administrative building and one bus garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.D., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

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 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. 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).

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, Darke, 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.

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, Larry Pogue, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. 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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Government-wide Financial Statements

The statement of net assets – modified cash basis and the statement of activities – modified cash basis 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 compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the 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. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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 non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements is due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

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. 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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. On 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.

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 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 yearend 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 re-appropriated.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2010.

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 shares price, which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$5,737, which includes \$744 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.

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the accompanying financial statements under the modified cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

I. Fund Cash Balance Reserves

The District reserves those portions of fund cash balance which are legally segregated for a specific future use. Unreserved fund cash balance indicates that portion of fund cash balance which is available for appropriation in future periods. Fund cash balance reserves have been established for encumbrances and debt service.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Cash Assets

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

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

K. Interfund Activity

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

L. 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 2010.

3. ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

B. Change in Basis of Accounting

During 2010, the District changed from a generally accepted basis of accounting to the modified cash basis of accounting (see Note 2.D). The District has also elected to present the cash basis financial statements in a GASB 34 like format. The fund balances for June 30, 2009 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals.

For reporting in accordance with GASB 34-like statements, the District is required to present government-wide financial statements. These statements consolidate all governmental activities in a single column.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

The transition from the accrual basis of accounting to the cash basis of accounting had the following effect on fund balances at June 30, 2009:

	General	Classroom Facilities	Non-Major Governmental	Total
Fund Balance at June 30, 2009	\$1,390,589	\$11,876,632	\$1,187,821	\$14,455,042
Change in Reporting Basis Adjustments	40,284	356,814	(72,926)	324,172
Restated Fund Balance at June 30, 2009	<u>\$1,430,873</u>	<u>\$12,233,446</u>	<u>\$1,114,895</u>	<u>\$14,779,214</u>
Governmental Activities Net Assets at June 30, 2009				<u>\$14,779,214</u>

The governmental activities net assets at June 30, 2009 equal the restated fund balances at June 30, 2009.

The transition from the accrual basis of accounting to the cash basis of accounting had the following effect on the net assets of the private-purpose trust fund at June 30, 2009:

	Private- Purpose Trust
Net Assets at June 30, 2009	\$71,475
Change in Reporting Basis Adjustments	(17,154)
Restated Net Assets at June 30, 2009	<u>\$54,321</u>

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, 2010
(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, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At June 30, 2010, 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. Cash in Segregated Account

At fiscal year end, the District had \$175,000 on deposit in retainage accounts related to the Ohio School Facilities Construction Project. This amount is reported on the statement of assets and fund balances – modified cash basis and statement of net assets – modified cash basis as "cash in segregated account".

C. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$1,354,145. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$50,666 of the District's bank balance of \$1,408,641 was exposed to custodial credit risk as discussed below, while \$1,357,975 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.

D. Investments

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Cost</u>	<u>Investment Maturity</u>				
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>	<u>Greater Than 24 Months</u>
STAR Ohio	\$2,499,131	\$2,499,131				
U.S. Government Money Market	4,339,005	4,339,005				
FHLB	393,150					393,150
Total	\$7,231,286	\$6,838,136	\$0	\$0	\$0	\$393,150

The weighted average maturity of investments is 0.11 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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: STAR Ohio carries 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, 2010:

<u>Investment Type</u>	<u>Cost</u>	<u>% of Total</u>
STAR Ohio	\$2,499,131	34.56
U.S. Government Money Market	4,339,005	60.00
FHLB	393,150	5.44
Total	<u>\$7,231,286</u>	<u>100.00</u>

E. 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, 2010:

Cash and investments per note:	
Carrying amount of deposits	\$1,354,145
Investments	7,231,286
Cash in segregated accounts	175,000
Cash on hand	300
Total	<u>\$8,760,731</u>

Cash and investments per statement of net assets:	
Governmental activities	\$8,680,173
Private-purpose trust funds	57,266
Agency funds	23,292
Total	<u>\$8,760,731</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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 receives property taxes from Darke and Miami County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. 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.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$60,691,190	97.54	\$61,396,400	97.77
Public utility personal	1,310,740	2.11	1,315,650	2.10
Tangible personal property	222,340	0.35	84,760	0.13
Total	\$62,224,270	100.00	\$62,796,810	100.00
Tax rate per \$1,000 of assessed valuation	\$47.85		\$47.85	

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of one percent for general operations on the residents and estates. 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 \$1,131,232 was credited to the general fund during fiscal year 2010.

7. LONG-TERM OBLIGATIONS

A. During the fiscal year 2010, the following activity occurred in governmental activities long-term obligations:

	<u>Outstanding 06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/10</u>	<u>Due in One Year</u>
Governmental activities:					
General obligation bonds - Series 1998	\$ 250,000		(\$120,000)	\$ 130,000	\$130,000
School facilities construction and advance refunding bonds - Series 2008					
Current interest bonds	7,245,000		(150,000)	7,095,000	305,000
Capital appreciation bonds	129,998			129,998	
Accreted interest	45,706	\$44,309		90,015	
Total G.O. bonds	<u>7,670,704</u>	<u>44,309</u>	<u>(270,000)</u>	<u>7,445,013</u>	<u>435,000</u>
Tax anticipation note	363,827		(36,974)	326,853	37,793
Total	<u>\$8,034,531</u>	<u>\$44,309</u>	<u>(\$306,974)</u>	<u>\$7,771,866</u>	<u>\$472,793</u>

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. 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 non-major 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). The balance of the refunded Series 1998 current interest bonds at June 30, 2010, is \$130,000.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. 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 (stated interest rate 17.027%), January 15, 2014 (stated interest rate 31.704%), and January 15, 2015 (stated 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.

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 non-major governmental fund).

The reacquisition price exceeded the net carrying amount of the old debt by \$47,373.

Principal and interest requirements to retire general obligation debt at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds - Series 1998		
	Principal	Interest	Total
2011	\$130,000	\$3,412	\$133,412
Total	\$130,000	\$,412	\$133,412

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
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	175,000	252,576	427,576	23,482	151,518	175,000
2016 - 2020	1,150,000	1,124,076	2,274,076			
2021 - 2025	1,175,000	907,875	2,082,875			
2026 - 2030	1,445,000	647,223	2,092,223			
2031 - 2035	1,775,000	318,749	2,093,749			
2036	405,000	17,212	422,212			
Total	\$7,095,000	\$4,355,299	\$11,450,299	\$129,998	\$385,002	\$515,000

Fiscal Year Ending June 30,	Tax Anticipation Notes		
	Principal	Interest	Total
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	41,255	7,556	48,811
2016 - 2018	129,328	11,543	140,871
Total	\$326,853	\$66,822	\$393,675

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. LONG-TERM OBLIGATIONS (Continued)

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, 2010, resulted in no remaining voted debt margin and an unvoted debt margin of \$62,712.

8. 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 2010, 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:

<u>Description</u>	<u>Amount</u>
Building and Contents-replacement cost (\$500 deductible)	\$20,390,462
Equipment Floater Coverage (\$1,000 deductible)	
Electronic Data Processing Coverage (\$1,000 deductible)	1,250,000
Crime Insurance (\$500 deductible)	100,000
Automobile Liability	6,000,000
Uninsured Motorists	1,000,000
Education General Liability	
Each Occurrence	6,000,000
Personal and Advertising Injury Limit - each offense	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	2,000,000
Disease - each employee	2,000,000
Errors and Omissions Liability (\$5,000 deductible)	
Per Occurrence	6,000,000
Aggregate limit	6,000,000

**NEWTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. RISK MANAGEMENT (Continued)

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 2010, 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 2010, 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.

9. 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, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

**NEWTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. PENSION PLANS (Continued)

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 2010, 12.78 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, 2010, 2009 and 2008 were \$74,406, \$49,092 and \$47,620, respectively; 45.19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary 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.

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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. PENSION PLANS (Continued)

Funding Policy - For fiscal year 2010, 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, 2010, 2009 and 2008 were \$293,781, \$287,413 and \$278,358, respectively; 82.98 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and combined plans for fiscal year 2010 were \$13,767 by the District and \$9,833 made by 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, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

10. 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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 the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required 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 401(h). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the health care plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$13,891, \$33,223 and \$32,586, respectively; 45.19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,425, \$4,051 and \$3,431, respectively; 45.19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 2010, 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, 2010, 2009, and 2008 were \$22,599, \$22,109 and \$21,412, respectively; 82.98 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

11. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of cash receipts, cash disbursements and changes in fund cash balance - budget and actual (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 difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

<u>Net Change in Fund Cash Balance</u>	
Cash Basis	\$303,697
Adjustment for Encumbrances	<u>(217,217)</u>
Budget Basis	<u>\$ 86,480</u>

12. 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.

13. 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, 2010, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside balance as of June 30, 2009	(\$198,045)	
Current year set-aside requirement	85,695	\$85,695
Current year offsets		(85,695)
Qualifying disbursements	<u>(67,047)</u>	<u>(82,702)</u>
Total	<u>(\$179,397)</u>	<u>(\$82,702)</u>
Balance carried forward to fiscal year 2011	<u>(\$179,397)</u>	<u>\$ 0</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. 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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program-Cash Assistance	10.553	\$2,784		\$2,784	
National School Lunch Program Cash Assistance	10.555	55,576		55,576	
Non-Cash Assistance (Food Distribution)			\$5,187		\$5,187
Total National School Lunch Program		<u>58,360</u>	<u>5,187</u>	<u>58,360</u>	<u>5,187</u>
Total Child Nutrition Cluster		<u>58,360</u>	<u>5,187</u>	<u>58,360</u>	<u>5,187</u>
Total United States Department of Agriculture		<u>58,360</u>	<u>5,187</u>	<u>58,360</u>	<u>5,187</u>
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed through Ohio Department of Education</i>					
Title I Cluster:					
Title I Grants to Local Educational Agencies	84.010	71,384		71,384	
ARRA - Title I Grants to Local Educational Agencies	84.389	12,744		12,744	
Total Title 1 Cluster		<u>84,128</u>		<u>84,128</u>	
Special Education Cluster:					
Special Education_Grants to States	84.027	99,036		99,036	
ARRA - Special Education_Grants to States	84.391	120,302		120,302	
Total Special Education Cluster		<u>219,338</u>		<u>219,338</u>	
Safe and Drug-Free Schools and Communities State_Grant	84.186	1,820		1,820	
State Grants for Innovative Programs	84.298	378		156	
Educational Technology State Grants	84.318	746		746	
Improving Teacher Quality State Grants	84.367	22,897		22,897	
ARRA -State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	141,564		141,564	
Total United States Department of Education		<u>470,871</u>		<u>470,649</u>	
Total Federal Assistance		<u>\$529,231</u>	<u>\$5,187</u>	<u>\$529,009</u>	<u>\$5,187</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Newton Local School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

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



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 N. 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 year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 3, 2010, wherein we noted that the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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.

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

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

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 3, 2010.

We intend this report solely for the information and use of management, Board of Education and federal awarding agencies and pass-through entities, and others within the District. 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

November 3, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Newton Local School District, Miami County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Newton Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated November 3, 2010.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 3, 2010

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: CFDA #84.027 - Special Education Grants to States CFDA #84.391 - ARRA -Special Education Grants to States CFDA #84.394 – ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants
<i>D(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

Ohio Rev. Code Section 117.38, states that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not described a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements for fiscal year 2010 in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare its annual financial reports in accordance with generally accepted accounting principles as required above to provide a complete presentation of its financial activity and status.

Official's Response:

District Officials declined to respond.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Weakness – Financial Reporting Errors	Yes	

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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
NOVEMBER 30, 2010**