

***NEWTON FALLS EXEMPTED VILLAGE SCHOOL
DISTRICT***

TRUMBULL COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2010

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

January 18, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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

DAVE YOST
Auditor of State

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Mary Taylor, CPA
Auditor of State

Board of Education
Newton Falls Exempted Village School District
909 1/2 Milton Blvd
Newton Falls, Ohio 44444

We have reviewed the *Independent Accountants' Report* of the Newton Falls Exempted Village School District, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 4, 2011

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NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
AUDIT REPORT
For the Year Ended June 30, 2010

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

**Newton Falls Exempted Village School District
Trumbull County
909 ½ Milton Blvd.
Newton Falls, OH 44444**

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 the Newton Falls Exempted Village School District, Trumbull County, Ohio, (the District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Newton Falls Exempted Village School District, Trumbull County, Ohio, as of June 30, 2010, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 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, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newton Falls Exempted Village School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as 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. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
November 17, 2010

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Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

As management of the Newton Falls Exempted Village School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- Per the negotiated agreements classified staff received raises of 2 percent and certified staff and administrators received raises of 3 percent. Three additional certificated personnel were also added during fiscal year 2010. Vision and dental costs increased 2 percent district wide.
- Capital asset additions included a bus and various pieces of furniture and fixtures.
- State Foundation revenue increased as a direct result of the School District receiving State Fiscal Stabilization Fund from the American Recovery and Reinvestment Act.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

The government-wide financial statements can be found on pages 12-13 of this report.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement fund. All of the funds of the School District can be divided into two categories: governmental and fiduciary.

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

The basic fund financial statements can be found on page 14-18 of this report.

Fiduciary Fund A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

The basic fiduciary fund financial statement can be found on page 19 of this report.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-40 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Assets for 2010 compared to 2009.

Newton Falls Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

Table 1
Net Assets
Governmental Activities

	2010	2009	Change
Assets			
Current and Other Assets	\$8,182,470	\$8,268,145	(\$85,675)
Capital Assets, Net	19,628,555	20,742,029	(1,113,474)
<i>Total Assets</i>	<u>27,811,025</u>	<u>29,010,174</u>	<u>(1,199,149)</u>
Liabilities			
Current Liabilities	4,652,911	4,606,892	46,019
Long-Term Liabilities			
Due Within One Year	679,025	661,054	17,971
Due In More Than One Year	3,549,366	4,188,488	(639,122)
<i>Total Liabilities</i>	<u>8,881,302</u>	<u>9,456,434</u>	<u>(575,132)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	15,988,555	16,472,029	(483,474)
Restricted for:			
Capital Projects	622,167	837,853	(215,686)
Debt Service	777,950	941,393	(163,443)
Set Asides	241,899	17,304	224,595
Other Purposes	961,963	1,170,651	(208,688)
Unrestricted	337,189	114,510	222,679
<i>Total Net Assets</i>	<u>\$18,929,723</u>	<u>\$19,553,740</u>	<u>(\$624,017)</u>

Cash and cash equivalents decreased due to the School District having to use up cash balances due to less revenue coming in. The decrease in capital assets was due to an additional year of depreciation offset by current year additions.

Total liabilities decreased during fiscal year 2010 which can be attributed to annual payments on the School District's general obligation bonds.

Newton Falls Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

Table 2 shows the changes in net assets for fiscal year 2010 compared to 2009.

Table 2
Governmental Activities

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Program Revenues			
Charges for Services and Sales	\$674,470	\$724,574	(\$50,104)
Operating Grants, Interest and Contributions	1,802,054	1,043,670	758,384
Capital Grants and Contributions	0	12,053	(12,053)
<i>Total Program Revenues</i>	<u>2,476,524</u>	<u>1,780,297</u>	<u>696,227</u>
General Revenues			
Property Taxes	3,212,842	3,549,752	(336,910)
Grants and Entitlements	7,881,648	8,458,673	(577,025)
Investment Earnings	15,261	28,350	(13,089)
Miscellaneous	172,753	180,333	(7,580)
<i>Total General Revenues</i>	<u>11,282,504</u>	<u>12,217,108</u>	<u>(934,604)</u>
<i>Total Revenues</i>	<u>13,759,028</u>	<u>13,997,405</u>	<u>(238,377)</u>
Program Expenses			
Instruction:			
Regular	6,444,632	6,448,173	3,541
Special	1,724,161	1,498,096	(226,065)
Vocational	174,708	149,121	(25,587)
Adult/Continuing	1,000	1,000	0
Student Intervention Services	19,936	24,564	4,628
Support Services			
Pupils	605,418	567,918	(37,500)
Instructional Staff	501,423	484,363	(17,060)
Board of Education	90,647	288,845	198,198
Administration	1,087,042	1,110,233	23,191
Fiscal	286,885	318,901	32,016
Operation and Maintenance of Plant	1,258,322	1,140,267	(118,055)
Pupil Transportation	719,859	676,829	(43,030)
Central	312,558	265,649	(46,909)
Operation of Non-Instructional Services	99,855	81,583	(18,272)
Operation of Food Service	497,979	492,245	(5,734)
Extracurricular Activities	373,339	381,924	8,585
Interest and Fiscal Charges	185,281	218,904	33,623
<i>Total Program Expenses</i>	<u>14,383,045</u>	<u>14,148,615</u>	<u>(234,430)</u>
<i>Decrease in Net Assets</i>	(624,017)	(151,210)	(472,807)
Net Assets Beginning of Year	<u>19,553,740</u>	<u>19,704,950</u>	<u>(151,210)</u>
Net Assets End of Year	<u>\$18,929,723</u>	<u>\$19,553,740</u>	<u>(\$624,017)</u>

Newton Falls Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs.

Instruction, pupils, instructional staff, operation and maintenance of plant, transportation and central support services, operation of non-instructional and operation of food service expenses increased as a result of negotiated agreements as well as an increase of 2 percent for dental and vision premiums. Classified staff received a 2 percent increase while certified staff and administrators received a 3 percent increase. The School District continues to show vigilance in monitoring all facets of spending.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2010 compared to 2009.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2010		2009	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$6,444,632	\$5,845,232	\$6,448,173	\$6,078,069
Special	1,724,161	1,254,739	1,498,096	1,409,522
Vocational	174,708	167,146	149,121	54,702
Adult/Continuing	1,000	0	1,000	0
Student Intervention Services	19,936	9,731	24,564	(10,423)
Support Services:				
Pupils	605,418	553,170	567,918	557,190
Instructional Staff	501,423	320,504	484,363	325,133
Board of Education	90,647	90,647	288,845	288,845
Administration	1,087,042	743,186	1,110,233	1,002,313
Fiscal	286,885	286,885	318,901	313,901
Operation and Maintenance of Plant	1,258,322	1,203,003	1,140,267	1,082,711
Pupil Transportation	719,859	719,859	676,829	664,776
Central	312,558	303,413	265,649	248,788
Operation of Non-Instructional Services	99,855	28,858	81,583	(110,018)
Operation of Food Service	497,979	(11,523)	492,245	32,495
Extracurricular Activities	373,339	206,390	381,924	211,410
Interest and Fiscal Charges	185,281	185,281	218,904	218,904
Total	\$14,383,045	\$11,906,521	\$14,148,615	\$12,368,318

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of expenses are supported through taxes and other general revenues.

Newton Falls Exempted Village School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010 Unaudited

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due mainly to a decrease in expenditures from careful management decisions on finances. The bond retirement fund had a decrease in fund balance due to the continuation of making principal and interest payments on outstanding obligations with less revenues being deposited into the fund.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was lower than the original budget estimate. The change was attributed to decreases in estimates for all revenues.

The final budget appropriations were lower than the original budget appropriations of the general fund. The change was attributed to decreases in all expenditure categories due to lower estimated revenues expected.

Capital Assets and Long-term Liabilities

Capital Assets

Table 4 shows fiscal 2010 values compared to fiscal 2009.

	<u>2010</u>	<u>2009</u>
Land	\$58,300	\$58,300
Land Improvements	191,919	204,723
Buildings and Improvements	18,447,091	19,427,806
Furniture and Fixtures	602,308	623,278
Vehicles	153,571	117,847
Textbooks	175,366	310,075
Total Capital Assets	<u>\$19,628,555</u>	<u>\$20,742,029</u>

The decrease in capital assets was due to an additional year of depreciation offset by current year additions. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

Debt

Table 5 below summarizes the School District's long-term debt outstanding obligations.

Table 5
Outstanding Debt Obligations at June 30
Governmental Activities

	<u>2010</u>	<u>2009</u>
2001 Various Purpose Improvement Bonds 3 - 5.125%	\$3,125,000	\$3,265,000
Refunding Bonds 2.75 - 4.20%	<u>515,000</u>	<u>1,005,000</u>
Total	<u>\$3,640,000</u>	<u>\$4,270,000</u>

The 2001 various purpose improvement bonds were issued to finance the construction of a new middle school, the renovation of the junior/senior high school buildings, and renovations to convert the old middle school into an elementary school. The refunding bonds were issued to advance refund outstanding junior/senior high school renovation bonds. Both bonds will be repaid out of the general obligation bond retirement fund. The 2001 various purpose improvement bonds mature in fiscal year 2025 and the refunding bonds mature in fiscal year 2011. See Note 10 to the basic financial statements for additional information.

School District Outlook

The Board of Education and administration closely monitor revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Samantha Pochedly, Treasurer, at Newton Falls Exempted Village School District, 909 1/2 Milton Road, Newton Falls, Ohio 44444.

Basic Financial Statements

Newton Falls Exempted Village School District

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,660,171
Accrued Interest Receivable	2,816
Intergovernmental Receivable	220,724
Inventory Held for Resale	12,737
Materials and Supplies Inventory	648
Property Taxes Receivable	4,285,374
Nondepreciable Capital Assets	58,300
Depreciable Capital Assets, Net	<u>19,570,255</u>
<i>Total Assets</i>	<u>27,811,025</u>
Liabilities	
Accounts Payable	111,563
Accrued Wages and Benefits	885,602
Intergovernmental Payable	321,125
Deferred Revenue	3,320,088
Accrued Interest Payable	14,533
Long-Term Liabilities:	
Due Within One Year	679,025
Due In More Than One Year	<u>3,549,366</u>
<i>Total Liabilities</i>	<u>8,881,302</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	15,988,555
Restricted for:	
Capital Projects	777,950
Debt Service	631,221
Set Asides	241,899
Other Purposes	961,963
Unrestricted	<u>328,135</u>
<i>Total Net Assets</i>	<u><u>\$18,929,723</u></u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2010

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$6,444,632	\$255,290	\$344,110	(\$5,845,232)
Special	1,724,161	63,473	405,949	(1,254,739)
Vocational	174,708	7,562	0	(167,146)
Adult/Continuing	1,000	0	1,000	0
Student Intervention Services	19,936	0	10,205	(9,731)
Support Services:				
Pupils	605,418	0	52,248	(553,170)
Instructional Staff	501,423	0	180,919	(320,504)
Board of Education	90,647	0	0	(90,647)
Administration	1,087,042	0	343,856	(743,186)
Fiscal	286,885	0	0	(286,885)
Operation and Maintenance of Plant	1,258,322	0	55,319	(1,203,003)
Pupil Transportation	719,859	0	0	(719,859)
Central	312,558	0	9,145	(303,413)
Operation of Non-Instructional Services	99,855	0	70,997	(28,858)
Operation of Food Service	497,979	181,196	328,306	11,523
Extracurricular Activities	373,339	166,949	0	(206,390)
Interest and Fiscal Charges	185,281	0	0	(185,281)
Totals	\$14,383,045	\$674,470	\$1,802,054	(11,906,521)
General Revenues				
Property Taxes Levied for:				
				2,699,141
				423,631
				90,070
Grants and Entitlements not Restricted				
				7,881,648
				15,261
				172,753
				<u>11,282,504</u>
				Change in Net Assets (624,017)
				<u>Net Assets Beginning of Year 19,553,740</u>
				<u>Net Assets End of Year \$18,929,723</u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,093,225	\$517,780	\$1,807,267	\$3,418,272
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	241,899	0	0	241,899
Accrued Interest Receivable	2,816	0	0	2,816
Intergovernmental Receivable	0	0	220,724	220,724
Interfund Receivable	43,381	0	0	43,381
Inventory Held for Resale	0	0	12,737	12,737
Materials and Supplies Inventory	0	0	648	648
Property Taxes Receivable	3,563,207	605,691	116,476	4,285,374
<i>Total Assets</i>	<u>\$4,944,528</u>	<u>\$1,123,471</u>	<u>\$2,157,852</u>	<u>\$8,225,851</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$76,742	\$0	\$34,821	\$111,563
Accrued Wages and Benefits	737,276	0	148,326	885,602
Interfund Payable	0	0	43,381	43,381
Intergovernmental Payable	291,894	0	29,231	321,125
Deferred Revenue	3,524,107	599,525	249,013	4,372,645
<i>Total Liabilities</i>	<u>4,630,019</u>	<u>599,525</u>	<u>504,772</u>	<u>5,734,316</u>
Fund Balances				
Reserved for Encumbrances	67,112	0	158,831	225,943
Reserved for Property Taxes	39,100	6,166	1,242	46,508
Reserved for Textbooks	125,947	0	0	125,947
Reserved for Capital Improvements	115,952	0	0	115,952
Unreserved, Undesignated, Reported in:				
General Fund (Deficit)	(33,602)	0	0	(33,602)
Special Revenue Funds	0	0	734,283	734,283
Debt Service Fund	0	517,780	0	517,780
Capital Projects Funds	0	0	758,724	758,724
<i>Total Fund Balances</i>	<u>314,509</u>	<u>523,946</u>	<u>1,653,080</u>	<u>2,491,535</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,944,528</u>	<u>\$1,123,471</u>	<u>\$2,157,852</u>	<u>\$8,225,851</u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2010

Total Governmental Fund Balances	\$2,491,535
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,628,555
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Property Taxes	918,778
Intergovernmental	<u>133,779</u>

Total	1,052,557
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(14,533)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(3,640,000)
Compensated Absences	<u>(588,391)</u>

Total	<u>(4,228,391)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$18,929,723</u></u>
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See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,652,545	\$452,705	\$88,165	\$3,193,415
Intergovernmental	7,792,078	89,570	1,728,201	9,609,849
Interest	14,545	0	716	15,261
Tuition and Fees	315,449	0	10,101	325,550
Extracurricular Activities	0	0	166,949	166,949
Contributions and Donations	0	0	1,000	1,000
Charges for Services	0	0	181,196	181,196
Rentals	775	0	0	775
Miscellaneous	166,529	0	6,224	172,753
<i>Total Revenues</i>	<u>10,941,921</u>	<u>542,275</u>	<u>2,182,552</u>	<u>13,666,748</u>
Expenditures				
Current:				
Instruction:				
Regular	4,976,274	0	332,069	5,308,343
Special	1,320,851	0	393,617	1,714,468
Vocational	173,848	0	0	173,848
Adult/Continuing	0	0	1,000	1,000
Student Intervention Services	0	0	19,936	19,936
Support Services:				
Pupils	556,399	0	45,980	602,379
Instructional Staff	231,770	0	162,665	394,435
Board of Education	90,647	0	0	90,647
Administration	784,379	0	311,795	1,096,174
Fiscal	274,131	8,092	3,521	285,744
Operation and Maintenance of Plant	890,781	0	394,991	1,285,772
Pupil Transportation	755,313	0	0	755,313
Central	303,082	0	9,476	312,558
Operation of Non-Instructional Services	0	0	99,601	99,601
Operation of Food Service	0	0	478,294	478,294
Extracurricular Activities	200,287	0	169,410	369,697
Capital Outlay	0	0	87,232	87,232
Debt Service:				
Principal Retirement	0	630,000	0	630,000
Interest and Fiscal Charges	0	187,459	0	187,459
<i>Total Expenditures</i>	<u>10,557,762</u>	<u>825,551</u>	<u>2,509,587</u>	<u>13,892,900</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>384,159</u>	<u>(283,276)</u>	<u>(327,035)</u>	<u>(226,152)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	2,721	2,721
Transfers Out	(2,721)	0	0	(2,721)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,721)</u>	<u>0</u>	<u>2,721</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	381,438	(283,276)	(324,314)	(226,152)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(66,929)</u>	<u>807,222</u>	<u>1,977,394</u>	<u>2,717,687</u>
<i>Fund Balances End of Year</i>	<u>\$314,509</u>	<u>\$523,946</u>	<u>\$1,653,080</u>	<u>\$2,491,535</u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$226,152)

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

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

Capital Outlay	161,296
Depreciation	<u>(1,271,450)</u>

Total	(1,110,154)
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Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (3,320)

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

Property Taxes	19,427
Intergovernmental	<u>72,853</u>

Total	92,280
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 630,000

In the statement of activities interest is accrued whereas in governmental funds, an interest expenditure is reported when due. 2,178

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (8,849)

Change in Net Assets of Governmental Activities (\$624,017)

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,667,485	\$2,624,513	\$2,624,513	\$0
Intergovernmental	7,928,861	7,801,132	7,792,078	(9,054)
Interest	14,075	13,848	13,848	0
Tuition and Fees	320,614	315,449	315,449	0
Rentals	788	775	775	0
Miscellaneous	169,319	166,606	166,606	0
<i>Total Revenues</i>	<u>11,101,142</u>	<u>10,922,323</u>	<u>10,913,269</u>	<u>(9,054)</u>
Expenditures				
Current:				
Instruction:				
Regular	5,239,335	5,066,027	5,066,027	0
Special	1,357,671	1,312,748	1,312,748	0
Vocational	187,903	181,685	181,685	0
Support Services:				
Pupils	577,548	558,437	558,437	0
Instructional Staff	241,907	233,902	233,902	0
Board of Education	97,353	94,132	94,132	0
Administration	847,021	818,992	818,992	0
Fiscal	282,957	273,591	273,591	0
Operation and Maintenance of Plant	928,628	897,901	897,901	0
Pupil Transportation	777,268	751,550	751,550	0
Central	314,020	303,630	303,630	0
Extracurricular Activities	207,052	200,201	200,201	0
<i>Total Expenditures</i>	<u>11,058,663</u>	<u>10,692,796</u>	<u>10,692,796</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>42,479</u>	<u>229,527</u>	<u>220,473</u>	<u>(9,054)</u>
Other Financing Sources (Uses)				
Advances In	5,455	5,353	5,353	0
Advances Out	(44,912)	(43,381)	(43,381)	0
Transfers Out	(2,814)	(2,721)	(2,721)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(42,271)</u>	<u>(40,749)</u>	<u>(40,749)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	208	188,778	179,724	(9,054)
<i>Fund Balance Beginning of Year</i>	911,510	911,510	911,510	0
Prior Year Encumbrances Appropriated	<u>116,820</u>	<u>116,820</u>	<u>116,820</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,028,538</u>	<u>\$1,217,108</u>	<u>\$1,208,054</u>	<u>(\$9,054)</u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2010

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$31,408</u>
Liabilities	
Due to Students	<u>\$31,408</u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 1 - Description of the School District and Reporting Entity

Newton Falls Exempted Village School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's four instructional/support facilities staffed by 56 classified employees, 85 certificated full and part-time teaching, 6 administrators and 3 supervisors who provide services to 1,512 students and other community members.

Reporting Entity

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

Non-public Schools - Within the School District boundaries, Saint Mary and Joseph School is operated through the Youngstown Catholic Diocese. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

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

The School District participates in three jointly governed organizations and two public entity pools. The organizations are the North Eastern Ohio Management Information Network, the Trumbull County Career and Technical Center, the North East Ohio Instructional Media Center, the Ohio School Boards Association Workers' Compensation Group Rating II Program and the Trumbull County Schools Employee Benefits Consortium. These organizations are presented in Notes 12 and 13 to the basic financial statements.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School 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. In reporting its financial activities, the School District uses two categories of funds: governmental and fiduciary.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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

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

Bond Retirement The bond retirement fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

Basis of Accounting

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Cash and Cash Equivalents

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

During fiscal year 2010, investments were limited to STAR Ohio. 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 SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$14,545, which includes \$8,988 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies and donated and purchased food held for resale.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for the purchase of textbooks and other instructional material and for capital improvements. See Note 19 for additional information regarding set asides.

Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Governmental Activities Estimated Lives
Building and Improvements	15 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	10 - 20 years

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

Compensated Absences

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

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

Accrued Liabilities and Long-term Obligations

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

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

Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

Fund Balance Reserves

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

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for auxiliary services and extracurricular activities.

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

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.

Estimates

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

Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 – Change in Accounting Principles and Restatement of Net Assets

Change in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District’s financial statements.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Note 4 – Accountability

Fund balances at June 30, 2010, included the following individual fund deficits:

Special Revenue Funds

Uniform School Supplies	\$56
State Fiscal Stabilization	31,209

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

Note 5 - Budgetary Basis of Accounting

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund:

	Net Change in Fund Balance
	<u>General</u>
GAAP Basis	\$381,438
Net Adjustment for Revenue Accruals	(28,652)
Advances In	5,353
Net Adjustment for Expenditure Accruals	(7,964)
Advances Out	(43,381)
Encumbrances	<u>(127,070)</u>
Budget Basis	<u><u>\$179,724</u></u>

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,955,003 of the School District's bank balance of \$3,055,003 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2010, the School District had STAR Ohio as the only investment with an amount of \$670,358 and a maturity of 56.0 days.

Interest Rate Risk. As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real property, public utility property and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 become a

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. 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. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$39,100 in the general fund, \$1,242 in the classroom facilities maintenance special revenue fund and \$6,166 in the bond retirement fund. The amount available as an advance at June 30, 2009, was \$11,068 in the general fund, \$345 in the classroom facilities maintenance special revenue fund and \$2,301 in the bond retirement fund.

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

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

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$120,182,640	96.51%	\$120,181,990	98.46%
Public Utility Personal	2,013,310	1.62	1,667,780	1.37
General Business Personal	2,326,611	1.87	207,495	0.17
Total	\$124,522,561	100.00%	\$122,057,265	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$40.00		\$40.15	

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Note 8 - Receivables

Receivables at June 30, 2010, consisted of taxes, accounts (rent and student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Title VI-B	\$124,055
Title I	84,012
Title VI-R	11,625
Title II-D	1,032
Total	<u><u>\$220,724</u></u>

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Nondepreciable Capital Assets				
Land	\$58,300	\$0	\$0	\$58,300
Depreciable Capital Assets				
Land Improvements	256,092	0	0	256,092
Buildings and Improvements	28,201,981	0	0	28,201,981
Furniture and Fixtures	1,188,000	91,154	0	1,279,154
Vehicles	864,376	70,142	(83,871)	850,647
Textbooks	793,315	0	(9,961)	783,354
<i>Total at Historical Cost</i>	<u>31,303,764</u>	<u>161,296</u>	<u>(93,832)</u>	<u>31,371,228</u>
Less: Accumulated Depreciation				
Land Improvements	(51,369)	(12,804)	0	(64,173)
Buildings and Improvements	(8,774,175)	(980,715)	0	(9,754,890)
Furniture and Fixtures	(564,722)	(112,124)	0	(676,846)
Vehicles	(746,529)	(34,418)	83,871	(697,076)
Textbooks	(483,240)	(131,389)	6,641	(607,988)
<i>Total Accumulated Depreciation</i>	<u>(10,620,035)</u>	<u>(1,271,450) *</u>	<u>90,512</u>	<u>(11,800,973)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>20,683,729</u>	<u>(1,110,154)</u>	<u>(3,320)</u>	<u>19,570,255</u>
<i>Governmental Activities Capital Assets, Net</i>	<u><u>\$20,742,029</u></u>	<u><u>(\$1,110,154)</u></u>	<u><u>(\$3,320)</u></u>	<u><u>\$19,628,555</u></u>

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$1,096,558
Special	201
Support Services	
Instructional Staff	101,594
Administration	4,455
Fiscal	735
Operation and Maintenance of Plant	10,158
Pupil Transportation	34,873
Operation of Food Service	19,234
Extracurricular Activities	3,642
Total Depreciation Expense	<u><u>\$1,271,450</u></u>

Note 10 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Principal Outstanding June 30, 2009	Additions	Deductions	Principal Outstanding June 30, 2010	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
2001 3-5.125%					
Various Purpose Improvement Bonds	\$3,265,000	\$0	(\$140,000)	\$3,125,000	\$145,000
2001 2.75-4.20%					
Refunding Bonds	1,005,000	0	(490,000)	515,000	515,000
<i>Total General Obligation Bonds</i>	<u>4,270,000</u>	<u>0</u>	<u>(630,000)</u>	<u>3,640,000</u>	<u>660,000</u>
Other Long-term Obligations					
Compensated Absences	579,542	39,903	(31,054)	588,391	19,025
<i>Total Governmental Activities Long-Term Liabilities</i>	<u><u>\$4,849,542</u></u>	<u><u>\$39,903</u></u>	<u><u>(\$661,054)</u></u>	<u><u>\$4,228,391</u></u>	<u><u>\$679,025</u></u>

In 2002, the School District issued \$3,989,000 in various purpose improvement general obligation bonds which included serial and capital appreciation (deep discount) bonds in the amount of \$3,885,002 and \$103,998, respectively. The general obligation bonds were issued for the purpose of the construction of a new middle school, the renovation of the junior/senior high school building and renovations to convert the old middle school into an elementary school. The bonds were issued for a thirty-three year period with final maturity at December 1, 2024. The general obligation bonds will be retired from the debt service fund.

In 2002, the School District issued \$4,194,995 in general obligation bonds which included serial and retired capital appreciation (deep discount) bonds in the amount of \$4,005,001 and \$189,994, respectively. The general obligation bonds were issued for the purpose of refunding \$4,195,000 of outstanding junior and senior high school renovation bonds to take advantage of lower interest rates. The bonds were issued for a ten year period with final maturity of December 11, 2011. The bonds will be retired from the debt service fund.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

The proceeds of the new bonds were placed in an irrevocable trust to provide for all future payments debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2010, \$550,000 of the defeased bonds is still outstanding.

Compensated absences will be paid from the general fund and the food service, auxiliary services, title VI-B, title I and class size reduction grants special revenue funds.

The overall debt margin of the School District as of June 30, 2010, was \$7,829,019 with an unvoted debt margin of \$121,713. Principal and interest requirements to retire general obligation bonds and certificates of participation outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds	
	Serial	
	Principal	Interest
2011	\$660,000	\$160,526
2012	155,000	143,256
2013	160,000	136,246
2014	165,000	128,851
2015	175,000	120,944
2016 - 2020	1,030,000	464,190
2021 - 2025	1,295,000	170,616
Total	<u>\$3,640,000</u>	<u>\$1,324,629</u>

Note 11 - Interfund Transfers and Balances

Interfund Transfers

The general fund made transfers to the uniform school supplies special revenue funds in the amount of \$2,721. The transfers were made to help provide funding for fiscal year 2010.

Interfund Balances

Interfund balances at June 30, 2010, consist of an interfund receivable/payable between the general fund and the nonmajor governmental funds in the amount of \$43,381. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

Note 12 - Jointly Governed Organizations

North Eastern Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed 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 districts. Each of the districts supports NEOMIN based upon a per pupil charge. Newton Falls Exempted Village School District paid \$34,265 to NEOMIN during fiscal year 2010.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent or NEOMIN). The Newton Falls Exempted Village School District was not represented on the Governing Board during fiscal year 2010. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Trumbull County Career and Technical Center The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Trumbull County Joint Vocational School, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

North East Ohio Instructional Media Center The North East Ohio Instructional Medial Center (NEOIMC) is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the School District. Each member pays a monthly premium based on the use of media materials.

NEOIMC is governed by the advisory committee made up a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2010, Newton Falls Exempted Village School District contributed \$2,340 which is \$1.50 per student. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Note 13 – Public Entity Pools

Insurance Purchasing Pool

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

Shared Risk Pool

Trumbull County Schools Employee Insurance Benefits Consortium The School District participates in the Trumbull County Schools Employee Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Note 14 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2010, the School District contracted for the following insurance coverage:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Gibson-DeGoode Agency, Ohio Casualty Insurance	General Liability, in aggregate	\$3,000,000
	General Liability, per occurrence	1,000,000
	Stop Gap, per occurrence	1,000,000
	Errors, Omissions and Employment Practices Injury, limit	1,000,000
	Errors, Omissions and Employment Practices Injury, in aggregate with \$2,500 deductible	2,000,000
	Excess Liability, per occurrence	1,000,000
	Fleet Per Accident, Limit	1,000,000
	Fleet Bodily harm, Limit	500,000
	Fleet Bodily harm, Deductible depending on injury	100 - 250

The School District has contracted with the Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical, dental, and prescription drug benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The Newton Falls Exempted Village School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays medical/surgical/prescription drug premiums of \$1,112 for family coverage and \$427 for single coverage per employee per month. If the School District were to withdraw from the consortium, there would be no liability because premium levels fund a reserve for subsequent claim payments. The School District provides dental coverage through Coresource which is not paid through the Trumbull County School Employee Insurance Benefits Consortium.

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

Worker's Compensation

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group II Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 15 – Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 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 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$185,113, \$126,162, and \$127,960 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement 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 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 of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$641,738, \$612,672, and \$658,777 respectively; 82.08 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 \$17,299 made by the School District and \$12,357 made by the plan members.

Note 16 – Postemployment Benefits

School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 1.22 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800. During fiscal year 2010, the School District paid \$20,434 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$28,615, \$57,929, and \$58,392 respectively; 100 percent has been contributed for fiscal years 2010, 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 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008, were \$11,008, \$10,862, and \$9,220 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$49,364, \$47,129, and \$50,675 respectively; 82.08 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 17 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers and most administrators do not earn vacation. The Superintendent and the Treasurer earn 20 days of vacation annually and may be paid up to 7 days of unused vacation at the end of each year. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Teachers, administrators and classified employees who reach 200 days of accumulated sick leave, may store up to 10 days of personal leave as an addition to their sick leave severance. Upon retirement and having been employed by the School District for at least ten years, all employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 50 days for classified employees and 55 days for certificated employees.

Life Insurance Benefits

The School District provides life insurance to most employees through Fort Dearbon Life Insurance, Inc., in the amount of \$50,000 for all employees who work more than twenty-five hours per week. Premiums are paid for by the Board of Education.

Note 18 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 19 - Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Improvements Reserve</u>	<u>Textbooks Instructional Materials Reserve</u>
Set-Aside Reserve Balance as of June 30, 2009	\$17,304	(\$23,783)
Current Year Set-aside Requirement	243,475	243,475
Qualifying Disbursements	<u>(144,827)</u>	<u>(93,745)</u>
Total	<u>\$115,952</u>	<u>\$125,947</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$115,952</u>	<u>\$125,947</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$115,952</u>	<u>\$125,947</u>

The total reserve balance for the set-asides at the end of the fiscal year was \$241,899.

NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
 Schedule of Federal Awards Expenditures
 For The Fiscal Year Ended June 30, 2010

Federal Grantor/Pass Trough Grantor Program Title	CFDA Number	Program Year	Federal Receipts	Federal Disbursements
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Title II-A	84.340	2009	\$ 7,980	\$ 7,980
Title II-A	84.340	2010	65,434	65,435
Total Title II-A			<u>73,414</u>	<u>73,415</u>
ARRA - Title I	84.389	2010	67,013	67,013
Title I	84.010	2009	10,779	22,982
Title I	84.010	2010	174,044	174,044
Total Title I			<u>251,836</u>	<u>264,039</u>
ARRA - Title VI - B - FY 10	84.391	2010	126,323	126,323
Special Education-IDEA B	84.027	2009	16,960	17,026
Special Education-IDEA B	84.027	2010	269,809	269,810
Total Special Education			<u>413,092</u>	<u>413,159</u>
Education State Grants, Recovery Act (Education Stabilization Fund)	84.394	2010	485,898	386,917
Drug Free Schools	84.186	2010	4,408	4,408
Title V-Innovative Programs	84.298	2009	909	2,895
Title II-D	84.318	2009	(394)	(394)
Title II-D	84.318	2010	1,424	1,425
Total Title II-D			<u>1,030</u>	<u>1,031</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			1,230,587	1,145,864
U. S. DEPARTMENT OF AGRICULTURE				
Nutrition Cluster:				
Passed Through Ohio Department of Education:				
Cash Assistance:				
School Breakfast Program	10.553	2010	49,745	49,745
National School Lunch Program	10.555	2010	244,605	244,605
Direct Program				
Non-Cash Assistance:				
National School Lunch Program - Note 2	10.555	2010	51,609	51,609
Total Nutrition Cluster			<u>345,959</u>	<u>345,959</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>345,959</u>	<u>345,959</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 1,576,546</u></u>	<u><u>\$ 1,491,823</u></u>

See notes to the Schedule of Federal Awards Expenditures

NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
Trumbull County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2010

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Newton Falls Exempted Village School District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Non-monetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2010, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

3. Matching Requirements

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

**Newton Falls Exempted Village School District
Trumbull County
909 ½ Milton Blvd.
Newton Falls, OH 44444**

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 the Newton Falls Exempted Village School District, Trumbull County (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item NFEVSD-2010-001.

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

We also noted certain matters that we have reported to management of the District in a separate letter dated November 17, 2010.

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

Charles E. Harris & Associates, Inc.
November 17, 2010

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**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 Falls Exempted Village School District
Trumbull County
909 ½ Milton Blvd.
Newton Falls, OH 44444

To the Board of Education:

Compliance

We have audited the compliance of the Newton Falls Exempted Village School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its 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 School District complied, in all material respects, with the requirements referred to above that apply to 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 in order to determine our auditing procedures for the purpose of opining on 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.

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

CHARLES E. HARRIS & ASSOCIATES, INC.

November 17, 2010

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**Newton Falls Exempted Village School District
Trumbull County
June 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	ARRA - State Fiscal Stabilization Fund - CFDA# 84.394 Title VI-B - CFDA# 84.027 ARRA - Title VI-B - CFDA# 84.391 Nutrition Cluster: School Breakfast - CFDA# 10.553 National School Lunch - CFDA# 10.555 Donated Commodities - CFDA# 10.555
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

SCHEDULE OF FINDINGS - (continued)
OMB CIRCULAR A-133 SECTION .505

Newton Falls Exempted Village School District
 Trumbull County
 June 30, 2010

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER NFEVSD-2010-01 – Noncompliance citation

Appropriations Exceeded Estimated Resources

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..." Contrary to this requirement, the appropriations exceeded the available resources for the following funds in 2010:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue Fund - Auxiliary Services	\$ 55,257	\$ 83,361	\$ (28,104)
Special Revenue Fund - Poverty Based Assistance	15,493	19,936	(4,443)
Special Revenue Fund - IDEA Part B	415,286	511,507	(96,221)
Special Revenue Fund - Title I	262,638	281,688	(19,050)
Special Revenue Fund - Title V	909	2,895	(1,986)
Special Revenue Fund - Title II-A	73,415	73,624	(209)

Management’s Response: The District will monitor appropriations versus estimated resources more closely.

3. FINDINGS FOR FEDERAL AWARDS

None.

NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain: Per ADAM 2001-10- Disclose the current year finding in this schedule
2009-01	Material Weakness- Financial Statement Reporting.	Yes	Finding no longer valid



Mary Taylor, CPA
Auditor of State

NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT

TRUMBULL 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
JANUARY 18, 2011**