



Dave Yost • Auditor of State

**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Falls Exempted Village School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Falls Exempted Village School District, Trumbull County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 28, 2014

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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, 2014. 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

- The School District's enrollment decreased from fiscal year 2013 to fiscal year 2014. However, School Foundation revenues from the State of Ohio increased due to the new funding formula, but not as much as anticipated.
- Capital asset additions included textbooks, a lawn mower, a water reel for watering the fields, multi-media devices and four defibrillators.
- Outstanding long-term obligations decreased during fiscal year 2014 due to annual general obligation debt payments.
- 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 position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 11 and 12 of this report.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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 fund is the general 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 finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The basic fund financial statements can be found on pages 13-17 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 18 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 19-40 of this report.

Government-wide Financial Analysis

As noted earlier, net position 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 Position for 2014 compared to 2013.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

Table 1
Net Position
Governmental Activities

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets			
Current and Other Assets	\$5,437,767	\$5,561,447	(\$123,680)
Capital Assets, Net	15,486,863	16,588,751	(1,101,888)
<i>Total Assets</i>	<u>20,924,630</u>	<u>22,150,198</u>	<u>(1,225,568)</u>
Deferred Outflows of Resources	<u>37,831</u>	<u>41,848</u>	<u>(4,017)</u>
Liabilities			
Current Liabilities	1,326,590	1,461,194	134,604
Long-Term Liabilities			
Due Within One Year	261,683	292,173	30,490
Due In More Than One Year	<u>2,807,702</u>	<u>3,001,513</u>	<u>193,811</u>
<i>Total Liabilities</i>	<u>4,395,975</u>	<u>4,754,880</u>	<u>358,905</u>
Deferred Inflows of Resources	<u>2,983,693</u>	<u>2,929,623</u>	<u>(54,070)</u>
Net Position			
Net Investment in Capital Assets	13,030,962	13,899,258	(868,296)
Restricted for:			
Capital Projects	98,919	98,919	0
Debt Service	285,356	281,518	3,838
Other Purposes	466,708	416,455	50,253
Unrestricted (Deficit)	<u>(299,152)</u>	<u>(188,607)</u>	<u>(110,545)</u>
<i>Total Net Position</i>	<u><u>\$13,582,793</u></u>	<u><u>\$14,507,543</u></u>	<u><u>(\$924,750)</u></u>

Cash and cash equivalents decreased due to the School District having more expenditures than revenues during the year. The increase in intergovernmental receivables is due to the School District having a larger grant carryover when compared to the prior fiscal year. The decrease in capital assets was due to an additional year of depreciation exceeding current year additions.

Total liabilities decreased during fiscal year 2014 which can be attributed to annual payments on the School District's general obligation bonds and decreases in accrued wages and benefits and intergovernmental payables. The School District had fewer outstanding obligations to be carried forward to the following fiscal year than in the past.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

Table 2 shows the changes in net position for fiscal year 2014 compared to 2013.

Table 2
Change in Net Position
Governmental Activities

	2014	2013	Change
Program Revenues			
Charges for Services and Sales	\$580,606	\$660,756	(\$80,150)
Operating Grants, Contributions and Interest	1,870,863	1,884,927	(14,064)
<i>Total Program Revenues</i>	<u>2,451,469</u>	<u>2,545,683</u>	<u>(94,214)</u>
General Revenues			
Property Taxes	2,946,862	2,926,458	20,404
Grants and Entitlements	7,402,038	6,998,518	403,520
Investment Earnings	4,599	4,901	(302)
Miscellaneous	327,171	45,879	281,292
<i>Total General Revenues</i>	<u>10,680,670</u>	<u>9,975,756</u>	<u>704,914</u>
<i>Total Revenues</i>	<u>13,132,139</u>	<u>12,521,439</u>	<u>610,700</u>
Program Expenses			
Instruction:			
Regular	6,448,274	6,652,615	204,341
Special	2,209,437	1,545,314	(664,123)
Vocational	103,776	121,304	17,528
Adult/Continuing	1,000	1,000	0
Support Services:			
Pupils	665,197	691,530	26,333
Instructional Staff	132,816	446,936	314,120
Board of Education	95,639	89,734	(5,905)
Administration	1,110,155	1,188,584	78,429
Fiscal	327,504	294,279	(33,225)
Operation and Maintenance of Plant	1,193,894	1,112,565	(81,329)
Pupil Transportation	620,632	657,739	37,107
Central	134,251	169,732	35,481
Operation of Food Service	515,848	535,053	19,205
Extracurricular Activities	435,297	400,283	(35,014)
Interest and Fiscal Charges	63,169	66,910	3,741
<i>Total Program Expenses</i>	<u>14,056,889</u>	<u>13,973,578</u>	<u>(83,311)</u>
<i>Change in Net Position</i>	(924,750)	(1,452,139)	527,389
Net Position Beginning of Year	14,507,543	15,959,682	(1,452,139)
Net Position End of Year	<u>\$13,582,793</u>	<u>\$14,507,543</u>	<u>(\$924,750)</u>

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.

Program expenses increased mainly due to increases in special instruction expenses and operation and maintenance of plant, which were slightly offset mainly by decreases regular instruction and instructional

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

staff. Instruction expenses comprise the largest portion of all program expenses for the School District. The increase in instructional expenses can be attributed to the School District negotiating raises for the certificated employees, and changes in the coding for expenditure classification taking effect. 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 2014 compared to 2013.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2014		2013	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$6,448,274	\$6,167,974	\$6,652,615	\$6,304,208
Special	2,209,437	887,698	1,545,314	524,630
Vocational	103,776	85,686	121,304	56,062
Adult/Continuing	1,000	0	1,000	0
Support Services:				
Pupils	665,197	608,973	691,530	615,930
Instructional Staff	132,816	132,816	446,936	310,472
Board of Education	95,639	95,639	89,734	89,734
Administration	1,110,155	1,037,807	1,188,584	1,054,456
Fiscal	327,504	327,504	294,279	294,279
Operation and Maintenance of Plant	1,193,894	1,146,780	1,112,565	1,065,566
Pupil Transportation	620,632	620,632	657,739	657,739
Central	134,251	127,051	169,732	162,532
Operation of Food Service	515,848	10,093	535,053	(10,374)
Extracurricular Activities	435,297	293,598	400,283	235,751
Interest and Fiscal Charges	63,169	63,169	66,910	66,910
Total	\$14,056,889	\$11,605,420	\$13,973,578	\$11,427,895

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.

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. The general fund had a decrease in fund balance due to expenditures exceeding revenues in the current year. Expenditures increased in the current fiscal year due to the School District negotiating raises for the certificated and classified staff, and an increase in purchased services which included corrected electricity billing, increased legal fees due to prolonged negotiations, increased number of students attending community schools, and increased special education expenses. Revenues increased despite declining enrollment due to the new funding model, but not as much as anticipated.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

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 2014, 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 higher than the original budget estimate. The change was mainly attributed to an increase in property tax and intergovernmental revenues as a better picture of actual receipts and awards became apparent.

The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in maintenance and pupil transportation expenditures due to higher estimated expenditures expected.

Capital Assets and Long-term Liabilities

Capital Assets

Table 4 shows fiscal 2014 values compared to fiscal 2013.

Table 4
Capital Assets at June 30
Governmental Activities

	2014	2013
Land	\$58,300	\$58,300
Land Improvements	151,813	165,291
Buildings and Improvements	14,524,235	15,504,949
Furniture and Fixtures	399,044	453,036
Vehicles	106,545	136,056
Textbooks	246,926	271,119
Total Capital Assets	<u>\$15,486,863</u>	<u>\$16,588,751</u>

The decrease in capital assets was due to an additional year of depreciation offset by current year additions of textbooks, a lawn mower, a water reel for watering the fields, multi-media devices and four defibrillators. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

Long-term Liabilities

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

Table 5
Outstanding Long-term Obligations at June 30
Governmental Activities

	<u>2014</u>	<u>2013</u>
General Obligation Bonds	\$2,520,605	\$2,746,303
Compensated Absences	<u>548,780</u>	<u>547,383</u>
Total	<u><u>\$3,069,385</u></u>	<u><u>\$3,293,686</u></u>

In fiscal year 2012, the School District refunded the 2002 various purpose improvement general obligation bonds. The original 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 2012 various improvement refunding bonds were issued for a twelve year period with a final maturity at December 1, 2023. The bonds will be retired from the debt service fund.

The School District's overall legal debt margin was \$8,954,614 with an unvoted debt margin of \$123,517. For more information about the School District's long-term obligations, see Note 9 to the basic financial statements.

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 Dawn Meeks, Treasurer, 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 Position

June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,294,851
Intergovernmental Receivable	152,408
Inventory Held for Resale	24,063
Materials and Supplies Inventory	1,674
Property Taxes Receivable	3,964,771
Nondepreciable Capital Assets	58,300
Depreciable Capital Assets, Net	<u>15,428,563</u>
<i>Total Assets</i>	<u>20,924,630</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>37,831</u>
Liabilities	
Accounts Payable	22,912
Accrued Wages and Benefits	1,057,774
Intergovernmental Payable	218,174
Matured Compensated Absences Payable	22,899
Accrued Interest Payable	4,831
Long-Term Liabilities:	
Due Within One Year	261,683
Due In More Than One Year	<u>2,807,702</u>
<i>Total Liabilities</i>	<u>4,395,975</u>
Deferred Inflows of Resources	
Property Taxes	<u>2,983,693</u>
Net Position	
Net Investment in Capital Assets	13,030,962
Restricted for:	
Capital Projects	98,919
Debt Service	285,356
Other Purposes	466,708
Unrestricted (Deficit)	<u>(299,152)</u>
<i>Total Net Position</i>	<u><u>\$13,582,793</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, 2014

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
Governmental Activities				
Instruction:				
Regular	\$6,448,274	\$203,149	\$77,151	(\$6,167,974)
Special	2,209,437	90,000	1,231,739	(887,698)
Vocational	103,776	7,616	10,474	(85,686)
Adult/Continuing	1,000	0	1,000	0
Support Services:				
Pupils	665,197	0	56,224	(608,973)
Instructional Staff	132,816	0	0	(132,816)
Board of Education	95,639	0	0	(95,639)
Administration	1,110,155	0	72,348	(1,037,807)
Fiscal	327,504	0	0	(327,504)
Operation and Maintenance of Plant	1,193,894	0	47,114	(1,146,780)
Pupil Transportation	620,632	0	0	(620,632)
Central	134,251	0	7,200	(127,051)
Operation of Food Service	515,848	138,142	367,613	(10,093)
Extracurricular Activities	435,297	141,699	0	(293,598)
Interest and Fiscal Charges	63,169	0	0	(63,169)
Totals	\$14,056,889	\$580,606	\$1,870,863	(11,605,420)

General Revenues

Property Taxes Levied for:

General Purposes	2,663,505
Debt Service	238,585
Classroom Facilities Maintenance	44,772
Grants and Entitlements not Restricted to Specific Programs	7,402,038
Investment Earnings	4,599
Miscellaneous	327,171

Total General Revenues 10,680,670

Change in Net Position (924,750)

Net Position Beginning of Year 14,507,543

Net Position End of Year \$13,582,793

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$562,173	\$732,678	\$1,294,851
Intergovernmental Receivable	11,988	140,420	152,408
Inventory Held for Resale	0	24,063	24,063
Materials and Supplies Inventory	0	1,674	1,674
Property Taxes Receivable	<u>3,574,927</u>	<u>389,844</u>	<u>3,964,771</u>
<i>Total Assets</i>	<u><u>\$4,149,088</u></u>	<u><u>\$1,288,679</u></u>	<u><u>\$5,437,767</u></u>
Liabilities			
Accounts Payable	\$22,912	\$0	\$22,912
Accrued Wages and Benefits	931,543	126,231	1,057,774
Intergovernmental Payable	191,306	26,868	218,174
Matured Compensated Absences Payable	<u>22,899</u>	<u>0</u>	<u>22,899</u>
<i>Total Liabilities</i>	<u>1,168,660</u>	<u>153,099</u>	<u>1,321,759</u>
Deferred Inflows of Resources			
Property Taxes	2,686,461	297,232	2,983,693
Unavailable Revenue	<u>877,087</u>	<u>231,846</u>	<u>1,108,933</u>
<i>Total Deferred Inflows of Resources</i>	<u>3,563,548</u>	<u>529,078</u>	<u>4,092,626</u>
Fund Balances			
Nonspendable	0	1,674	1,674
Restricted	6,920	682,724	689,644
Unassigned (Deficit)	<u>(590,040)</u>	<u>(77,896)</u>	<u>(667,936)</u>
<i>Total Fund Balances (Deficit)</i>	<u>(583,120)</u>	<u>606,502</u>	<u>23,382</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u><u>\$4,149,088</u></u>	<u><u>\$1,288,679</u></u>	<u><u>\$5,437,767</u></u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Balances	\$23,382
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Amounts reported for governmental activities in the statement of net position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,486,863
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Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds:

Delinquent Property Taxes	968,513
Intergovernmental	<u>140,420</u>

Total	1,108,933
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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.	(4,831)
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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	(2,520,605)
Compensated Absences	(548,780)
Deferred Charge on Refunding	<u>37,831</u>

Total	<u>(3,031,554)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$13,582,793</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, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$2,667,729	\$284,070	\$2,951,799
Intergovernmental	8,006,941	1,165,225	9,172,166
Interest	4,599	16	4,615
Tuition and Fees	300,450	0	300,450
Extracurricular Activities	69,209	72,490	141,699
Contributions and Donations	0	1,000	1,000
Charges for Services	0	138,142	138,142
Rentals	315	0	315
Miscellaneous	327,171	0	327,171
<i>Total Revenues</i>	<u>11,376,414</u>	<u>1,660,943</u>	<u>13,037,357</u>
Expenditures			
Current:			
Instruction:			
Regular	5,386,465	52,722	5,439,187
Special	1,721,941	454,422	2,176,363
Vocational	103,213	0	103,213
Adult/Continuing	0	1,000	1,000
Support Services:			
Pupils	615,089	56,202	671,291
Instructional Staff	120,372	5,769	126,141
Board of Education	95,639	0	95,639
Administration	985,053	115,888	1,100,941
Fiscal	321,137	6,201	327,338
Operation and Maintenance of Plant	1,062,942	120,865	1,183,807
Pupil Transportation	591,393	0	591,393
Central	138,842	10,816	149,658
Operation of Food Service	0	495,298	495,298
Extracurricular Activities	349,667	79,499	429,166
Debt Service:			
Principal Retirement	0	225,000	225,000
Interest and Fiscal Charges	0	60,225	60,225
<i>Total Expenditures</i>	<u>11,491,753</u>	<u>1,683,907</u>	<u>13,175,660</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(115,339)</u>	<u>(22,964)</u>	<u>(138,303)</u>
Other Financing Sources (Uses)			
Transfers In	0	6,402	6,402
Transfers Out	(6,402)	0	(6,402)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,402)</u>	<u>6,402</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(121,741)	(16,562)	(138,303)
<i>Fund Balances (Deficit) Beginning of Year</i>	(461,379)	623,064	161,685
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$583,120)</u>	<u>\$606,502</u>	<u>\$23,382</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, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$138,303)

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 Asset Additions	32,646	
Current Year Depreciation	(1,134,534)	
Total		(1,101,888)

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

Delinquent Property Taxes	(4,937)	
Intergovernmental	99,719	
Total		94,782

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 225,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued Interest on Bonds	375	
Bond Accretion	(11,911)	
Amortization of Premium on Bonds	12,609	
Amortization of Deferred Charge on Refunding	(4,017)	
Total		(2,944)

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. (1,397)

Change in Net Position of Governmental Activities (\$924,750)

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,459,950	\$3,002,403	\$2,676,425	(\$325,978)
Intergovernmental	7,742,556	7,820,637	8,024,107	203,470
Interest	6,993	6,993	4,581	(2,412)
Tuition and Fees	246,615	290,943	297,301	6,358
Rentals	1,382	1,382	315	(1,067)
Miscellaneous	180,488	266,989	329,471	62,482
<i>Total Revenues</i>	10,637,984	11,389,347	11,332,200	(57,147)
Expenditures				
Current:				
Instruction:				
Regular	5,169,190	5,288,940	5,456,896	(167,956)
Special	1,415,293	1,416,079	1,732,195	(316,116)
Vocational	133,770	117,414	103,255	14,159
Support Services:				
Pupils	434,411	499,624	617,176	(117,552)
Instructional Staff	106,121	184,823	140,424	44,399
Board of Education	63,984	173,461	96,830	76,631
Administration	1,182,581	1,112,273	1,002,811	109,462
Fiscal	227,912	237,970	322,473	(84,503)
Operation and Maintenance of Plant	907,136	1,248,610	1,093,834	154,776
Pupil Transportation	551,899	860,654	602,550	258,104
Central	71,901	81,297	139,778	(58,481)
Extracurricular Activities	226,679	316,075	281,267	34,808
<i>Total Expenditures</i>	10,490,877	11,537,220	11,589,489	(52,269)
<i>Excess of Revenues Over (Under) Expenditures</i>	147,107	(147,873)	(257,289)	(109,416)
Other Financing Sources (Uses)				
Advances In	37,317	37,317	17,838	(19,479)
Advances Out	(37,317)	(37,317)	0	37,317
Transfers Out	(31,338)	(31,338)	(6,402)	24,936
<i>Total Other Financing Sources (Uses)</i>	(31,338)	(31,338)	11,436	42,774
<i>Net Change in Fund Balance</i>	115,769	(179,211)	(245,853)	(66,642)
<i>Fund Balance Beginning of Year</i>	683,291	683,291	683,291	0
Prior Year Encumbrances Appropriated	48,182	48,182	48,182	0
<i>Fund Balance End of Year</i>	\$847,242	\$552,262	\$485,620	(\$66,642)

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2014

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$30,535</u>
Liabilities	
Due to Students	<u>\$30,535</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, 2014*

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 51 classified employees, 79 certificated full and part-time teaching, 6 administrators and 3 supervisors who provide services to 1,330 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 two jointly governed organizations and two public entity pools. The organizations are the Northeast Ohio Management Information Network, the Trumbull County Career and Technical Center, the Ohio Schools Council Workers' Compensation Group Retrospective Rating Program and the Trumbull County Schools Employee Insurance Benefits Consortium. These organizations are presented in Notes 12 and 14 to the basic financial statements.

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 more significant of the School District's accounting policies are described below.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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 position 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.

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the School District's major governmental fund:

General Fund The general fund is the operating fund of the School District and is used to account for and report all financial resources except those required to be accounted for and reported 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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources, 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 outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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 2014, 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 STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2014.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 2014 amounted to \$4,599, which includes \$2,595 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.

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 position 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	20 years
Building and Improvements	15 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	10 - 20 years
Textbooks	15 years

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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee who has accumulated unpaid leave is paid.

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

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position 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 position are available.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 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 – Fund Balances

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Fund Balances	General	Other Governmental Funds	Total
<i>Nonspendable</i>			
Materials and Supplies Inventory	\$0	\$1,674	\$1,674
<i>Restricted for</i>			
Food Service Operations	0	158,504	158,504
Scholarships	0	1,324	1,324
Classroom Facilities Maintenance	0	198,597	198,597
Athletics	0	8,177	8,177
Auxiliary Services	0	980	980
Data and Information Systems	0	2,139	2,139
Student Programs	6,920	957	7,877
Debt Service Payments	0	213,127	213,127
Capital Improvements	0	98,919	98,919
<i>Total Restricted</i>	<u>6,920</u>	<u>682,724</u>	<u>689,644</u>
<i>Unassigned (Deficit)</i>	<u>(590,040)</u>	<u>(77,896)</u>	<u>(667,936)</u>
<i>Total Fund Balances (Deficit)</i>	<u><u>(\$583,120)</u></u>	<u><u>\$606,502</u></u>	<u><u>\$23,382</u></u>

Note 4 – Accountability

Fund balances at June 30, 2014, included the following individual fund deficits:

General Fund	\$583,120
<i>Special Revenue Funds</i>	
Title VI-B	35,872
Title I	37,624
Class Size Reduction	4,400

Management is currently analyzing the general fund’s operations to determine appropriate steps to alleviate the deficit.

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:

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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. Investments are reported at cost (budget) rather than at fair value (GAAP).
4. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
6. Budgetary revenues and expenditures of the uniform school supplies and public school support fund are classified to general fund for GAAP Reporting.

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:

	<u>General</u>
GAAP Basis	(\$121,741)
Net Adjustment for Revenue Accruals	28,836
Advances In	17,838
Beginning Fair Value Adjustment for Investments	18
Perspective Difference:	
Uniform School Supplies	(10)
Public School Support	(1,487)
Net Adjustment for Expenditure Accruals	(146,395)
Encumbrances	(22,912)
Budget Basis	<u><u>(\$245,853)</u></u>

Note 6 - Deposits and Investments

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

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

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

Newton Falls Exempted Village School District

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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 (STAR Ohio); 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.

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, none of the School District's bank balance of \$1,265,966 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.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Investments

As of June 30, 2014, the School District had STAR Ohio as the only investment with an amount of \$80,122 and a maturity of 51.4 days. The investment is an internal investment pool.

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 distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2014, are available to finance fiscal year 2015 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 and public utility property taxes which are measurable as of June 30, 2014 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 were levied to finance current fiscal year operations are 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 inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

The amount available as an advance at June 30, 2014, was \$11,379 in the general fund, \$186 in the classroom facilities maintenance special revenue fund and \$1,000 in the bond retirement fund. The amount available as an advance at June 30, 2013, was \$20,075 in the general fund, \$329 in the classroom facilities maintenance special revenue fund and \$1,770 in the bond retirement fund.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$121,066,620	98.27%	\$121,316,200	98.22%
Public Utility Personal	2,132,990	1.73	2,200,320	1.78
Total	\$123,199,610	100.00%	\$123,516,520	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$37.45		\$37.45	

Note 8 - Receivables

Receivables at June 30, 2014, consisted of taxes 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:

Intergovernmental Receivables	Amounts
Title I Grant	\$107,209
Class Size Reduction Grant	33,211
Catastrophic Costs	8,419
Medicaid	3,044
Trumbull County ESC	525
Total	\$152,408

Note 9 – Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2012 Various Purpose Refunding Bonds:			
Serial Bonds	2.90% to 3.70%	\$2,665,000	2013 to 2024
Capital Appreciation Bonds	6.70	160,000	2019

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

	Principal Outstanding			Principal Outstanding June 30, 2014	Amount Due in One Year
	June 30, 2013	Additions	Deductions		
Governmental Activities					
General Obligation Bonds					
2012 Various Purpose Refunding Bonds					
Serial Bonds	\$2,440,000	\$0	(\$225,000)	\$2,215,000	\$220,000
Capital Appreciation Bonds	160,000	0	0	160,000	0
Accretion on Bonds	14,962	11,911	0	26,873	0
Premium	131,341	0	(12,609)	118,732	0
<i>Total General Obligation Bonds</i>	2,746,303	11,911	(237,609)	2,520,605	220,000
Other Long-term Obligations					
Compensated Absences	547,383	68,570	(67,173)	548,780	41,683
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$3,293,686</u>	<u>\$80,481</u>	<u>(\$304,782)</u>	<u>\$3,069,385</u>	<u>\$261,683</u>

On February 23, 2012, the School District issued \$2,825,000 in general obligation bonds to refund the 2002 various purpose improvement bonds. The general obligation bonds included serial and capital appreciation (deep discount) bonds in the amount of \$2,665,000 and \$160,000, respectively. The bonds were issued for a twelve year period with a final maturity at December 1, 2023. The bonds will be retired from the debt service fund.

The capital appreciation bonds were originally sold at a discount of \$160,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2019.

The maturity amount of outstanding capital appreciation bonds at June 30, 2014 is \$250,000. The accretion recorded for 2014 was \$11,911, for a total outstanding bond liability of \$186,873 at June 30, 2014.

The refunding bonds were sold at a premium of \$148,153. Net proceeds of \$2,872,204 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, \$2,500,000 of these bonds is considered defeased and the liability for the refund portion of these bonds has been removed from the School District's financial statements.

Compensated absences will be paid from the general fund and the food service, 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, 2014, was \$8,954,614 with an unvoted debt margin of \$123,517. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014, are as follows:

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Fiscal Year Ending June 30	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Accretion
2015	\$220,000	\$55,775	\$0	\$0
2016	220,000	50,275	0	0
2017	230,000	43,525	0	0
2018	250,000	37,575	0	0
2019	0	35,075	160,000	90,000
2020 - 2024	1,295,000	95,313	0	0
Total	\$2,215,000	\$317,538	\$160,000	\$90,000

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Nondepreciable Capital Assets				
Land	\$58,300	\$0	\$0	\$58,300
Depreciable Capital Assets				
Land Improvements	269,562	0	0	269,562
Buildings and Improvements	28,201,981	0	0	28,201,981
Furniture and Fixtures	1,396,125	29,216	0	1,425,341
Vehicles	877,663	0	0	877,663
Textbooks	943,547	3,430	0	946,977
<i>Total at Historical Cost</i>	<u>31,688,878</u>	<u>32,646</u>	<u>0</u>	<u>31,721,524</u>
Less: Accumulated Depreciation				
Land Improvements	(104,271)	(13,478)	0	(117,749)
Buildings and Improvements	(12,697,032)	(980,714)	0	(13,677,746)
Furniture and Fixtures	(943,089)	(83,208)	0	(1,026,297)
Vehicles	(741,607)	(29,511)	0	(771,118)
Textbooks	(672,428)	(27,623)	0	(700,051)
<i>Total Accumulated Depreciation</i>	<u>(15,158,427)</u>	<u>(1,134,534) *</u>	<u>0</u>	<u>(16,292,961)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>16,530,451</u>	<u>(1,101,888)</u>	<u>0</u>	<u>15,428,563</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$16,588,751</u>	<u>(\$1,101,888)</u>	<u>\$0</u>	<u>\$15,486,863</u>

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$1,027,547
Special	14,054
Vocational	31
Support Services	
Pupils	340
Instructional Staff	15,742
Administration	5,096
Fiscal	735
Operation and Maintenance of Plant	14,647
Pupil Transportation	29,966
Central	776
Operation of Food Service	19,469
Extracurricular Activities	6,131
Total Depreciation Expense	<u>\$1,134,534</u>

Note 11 - Interfund Transfers

The general fund made a transfer of \$6,402 to the athletics special revenue fund to help provide funding for fiscal year 2014.

Note 12 - Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers 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 \$26,922 to NEOMIN during fiscal year 2014.

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 2014. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. 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, 6000 Youngstown Warren Road, Niles, Ohio 44446.

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 nineteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Trumbull County Career and Technical Center

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. 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.

Note 13 - 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 2014, the School District contracted for the following insurance coverage:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Schools of Ohio Risk Sharing Authority (SORSA)	General Liability	
	Bodily Injury and Property Damage	\$5,000,000
	Personal Injury/Advertising Liability	5,000,000
	Products/Completed Operations	7,000,000
	Employers Stop Gap Liability	
	Bodily Injury by Accident, each accident	5,000,000
	Bodily Injury by Disease, Limit	5,000,000
	Bodily Injury by Disease, each employee	5,000,000
	Aggregate Limit	5,000,000
	General Annual Aggregate	14,000,000
	Fire Legal Liability	500,000
	Medical Payments - Occurrence/Aggregate	10,000/25,000
	Educators' Legal Liability	
	Wrongful Acts, per occurrence	5,000,000
	Wrongful Acts, in aggregate with \$1,000 deductible	5,000,000
	Employee Benefits Liability	5,000,000
	Automobile Liability	
	Bodily Injury and Property Damage, per occurrence	5,000,000
	Medical Payments - Occurrence/Aggregate	10,000/25,000
	Uninsured/Underinsured Motorist, per person	100,000
Uninsured/Underinsured Motorist, per occurrence	1,000,000	

The School District has contracted with the Trumbull County Schools Employee Insurance Benefit Consortium to provide employee medical/surgical, dental, and prescription drug benefits. The Trumbull County Schools Employee Insurance Benefit 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/prescription drug premiums of \$1,382 for family coverage and \$531 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 Benefit Consortium.

Newton Falls Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District made significant reductions in coverage from last year.

Worker's Compensation

For fiscal year 2014, the School District participated in the Ohio Schools Council Workers' Compensation Group Retrospective Rating Program, an insurance purchasing pool (Note 14). The intent of the program 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 program. The participating school districts pay experience or rate based premiums to the Bureau of Workers' Compensation (BWC). The total premium for the entire group is the standard premium of the group. The BWC recalculates the group retrospective premium 12 months after the end of the policy year, based on developed incurred claim losses. If the new calculated premium is lower than the standard premium, the BWC will distribute a refund to the school districts in the group. Participation in the program is limited to school districts that can meet the Ohio Schools Council's selection criteria. The firm of Sheakley provides administrative, cost control, and actuarial services for the program.

Note 14 – Public Entity Pool

Insurance Purchasing Pool

Ohio Schools Council Workers' Compensation Group Retrospective Rating Program The School District participates in the Ohio Schools Council Group Retrospective Rating Program, an insurance purchasing pool. Each district supports the Council by paying an annual participation fee. The program was created for the purpose of reducing the cost of workers' compensation premiums.

Shared Risk Pool

Trumbull County Schools Employee Insurance Benefit 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.

Note 15 – Defined Benefit Pension Plans

School Employees Retirement System

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

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$186,162, \$203,826 and \$189,435, respectively. For fiscal year 2014, 93.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System of Ohio

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$618,293 and \$11 for the fiscal year ended June 30, 2014, \$683,681 and \$11 for the fiscal year ended June 30, 2013, and \$664,705 and \$0 for the fiscal year ended June 30, 2012. For fiscal year 2014, 86.87 percent has been contributed for the DB plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013, (the latest information available), were \$8,755 made by the School District and \$6,254 made by the plan members. In addition, member contributions of \$8 were made for fiscal year 2013, (the latest information available), for the defined contribution portion of the Combined Plan.

Note 16 – Postemployment Benefits

School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$23,856 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, 2014, 2013 and 2012 were \$1,990, \$2,489 and \$8,204, respectively. For fiscal year 2014, 93.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013 and 2012, were \$10,800, \$11,514 and \$11,187, respectively. For fiscal year 2014, 93.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$47,561, \$50,050 and \$51,131, respectively. For fiscal year 2014, 86.87 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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,

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

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 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 capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set Aside Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	222,926
Current Year Offsets	(285,225)
Qualifying Disbursements	<u>(1,279)</u>
Total	<u>(\$63,578)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set Aside Balance as of June 30, 2014	<u>\$0</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 20 - Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds	
General	\$22,912
Other Governmental Funds	<u>2,096</u>
Total Governmental Funds	<u>\$25,008</u>

**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$59,413		\$59,413	
National School Lunch Program	10.555	257,697	\$38,955	257,697	\$38,955
Total U.S. Department of Agriculture - Nutrition Cluster		317,110	38,955	317,110	38,955
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Title I Grants to Local Educational Agencies - -2013	84.010	48,146		48,146	
Title I Grants to Local Educational Agencies - -2014	84.010	341,506		319,716	
Total Title I Grants to Local Educational Agencies		389,652		367,862	
Special Education Grants to States (IDEA, Part B)	84.027	261,836		259,552	
Improving Teacher Quality State Grants (Title II-A) - 2013	84.367	13,931		13,931	
Improving Teacher Quality State Grants (Title II-A) - 2014	84.367	43,940		41,004	
Total Improving Teacher Quality State Grants		57,871		54,935	
Title I, Sub A - 2013	84.389			3,594	
Total U.S. Department of Education		709,359		685,943	
Total Federal Awards Receipts and Expenditures		\$ 1,026,469	\$ 38,955	\$ 1,003,053	\$ 38,955

The accompanying notes are an integral part of this schedule.

**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



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INDEPENDENT AUDITOR'S 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, Ohio 44444

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Falls Exempted Village School District, Trumbull County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 28, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

August 28, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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, Ohio 44444

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Newton Falls Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Newton Falls Exempted Village School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Newton Falls Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 28, 2014

**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I (CFDA's # 84.010)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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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
SEPTEMBER 9, 2014**