



Rea & associates *a brighter way*

**Newcomerstown Exempted Village  
School District  
Tuscarawas County, Ohio**

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2015





# Dave Yost • Auditor of State

Board of Education  
Newcomerstown Exempted Village School District  
702 South River Street  
Newcomerstown, OH 43832

We have reviewed the Independent Auditor's Report of the Newcomerstown Exempted Village School District, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

March 30, 2016



**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
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**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
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December 29, 2015

To the Board of Education  
Newcomerstown Exempted Village School District  
Tuscarawas County, Ohio  
702 South River Street  
Newcomerstown, OH 43832

## **Independent Auditor's Report**

### **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 the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2015, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As described in Note 3, the District restated the net position balances to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions* on pages 5-16, 68-69, and 70-73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, are required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *Schedule of Expenditures of Federal Awards*, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.



The *Schedule of Expenditures of Federal Awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures of Federal Awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 District's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

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**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The management's discussion and analysis of the Newcomerstown Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position of governmental activities increased \$324,238 which represents a 13.06% increase from 2014 as restated in Note 3.A. The District implemented GASB Statement No. 68, which reduced beginning net position as previously reported by \$14.2 million.
- General revenues accounted for \$9,570,578 in revenue or 73.88% of all revenues. Program specific revenues in the form of chares for services and sales and grants and contributions accounted for \$3,383,870 or 26.12% of total revenues of \$12,954,448.
- The District had \$12,630,210 in expenses related to governmental activities; \$3,383,870 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,570,578 were adequate to provide for these programs.
- The District's only major governmental funds is the general fund. The general fund had \$10,780,818 in revenues and \$10,366,221 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance increased \$414,597 from a deficit balance of \$221,105 to a balance of \$193,492.

**Using the Basic Financial Statements**

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is the most significant fund, and the only fund reported as major fund.

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 27 and 28. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-66 of this report.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 68 through 74 of this report.

**The District as a Whole**

The table provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

	<b>Net Position</b>	
	Governmental Activities 2015	Restated Governmental Activities 2014
<b><u>Assets</u></b>		
Current and other assets	\$ 5,371,543	\$ 4,732,019
Capital assets, net	<u>12,684,401</u>	<u>13,306,389</u>
Total assets	<u>18,055,944</u>	<u>18,038,408</u>
<b><u>Deferred Outflows of Resources</u></b>		
Unamortized deferred charges on debt refunding	33,023	37,476
Pension	<u>937,716</u>	<u>749,082</u>
Total deferred outflows of resources	<u>970,739</u>	<u>786,558</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,628,135	1,581,639
Long-term liabilities:		
Due within one year	374,717	384,951
Due in more than one year:		
Net pension liability	12,557,318	14,917,145
Other amounts	<u>1,650,664</u>	<u>1,928,433</u>
Total liabilities	<u>16,210,834</u>	<u>18,812,168</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	2,708,358	2,495,099
Pensions	<u>2,265,554</u>	<u>-</u>
Total deferred inflows of resources	<u>4,973,912</u>	<u>2,495,099</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	11,121,606	11,444,339
Restricted	578,734	598,881
Unrestricted (deficit)	<u>(13,858,403)</u>	<u>(14,525,521)</u>
Total net position (deficit)	<u>\$ (2,158,063)</u>	<u>\$ (2,482,301)</u>

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$11,685,762 to (\$2,482,301).

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$2,158,063. Of this total, \$578,734 is restricted in use.

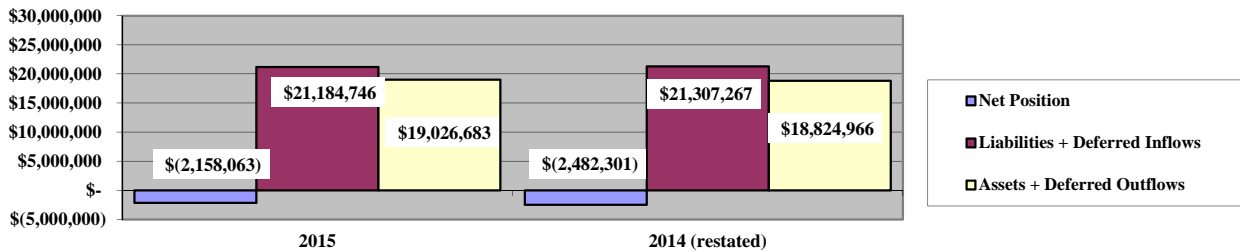
At year-end, capital assets represented 70.25% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2015, was \$11,121,606. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$578,734, represents resources that are subject to external restriction on how they may be used. The remaining deficit of unrestricted net position is a deficit of \$13,858,403.

Current and other assets increased \$639,524 during 2015. This is due to increases in cash and cash equivalents of \$314,786 mostly due to premium holidays for insurance premiums and \$200,789 increase in property tax receivable.

The graph below illustrates the governmental activities assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2015 and June 30, 2014. The amounts at June 30, 2014 have been restated as described in Note 3.A.

**Governmental Activities**



**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The table below shows the change in net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

	<b>Change in Net Position</b>	
	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 960,373	\$ 1,157,033
Operating grants and contributions	2,423,497	2,194,101
General revenues:		
Property taxes	3,073,383	2,967,333
Grants and entitlements	6,363,713	5,882,205
Investment earnings	15	10
Other	<u>133,467</u>	<u>156,030</u>
Total revenues	<u>12,954,448</u>	<u>12,356,712</u>

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**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Change in Net Position**

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,334,642	\$ 4,765,355
Special	2,196,262	2,092,724
Vocational	3,085	3,445
Other	588,468	604,826
Support services:		
Pupil	621,612	597,643
Instructional staff	214,750	167,045
Board of education	26,333	26,974
Administration	1,079,703	1,059,823
Fiscal	209,585	216,357
Operations and maintenance	1,494,353	1,538,197
Pupil transportation	608,998	635,119
Central	247,215	301,602
Operations of non-instructional:		
Food service operations	555,431	580,181
Other non-instructional services	11,980	12,498
Extracurricular activities	371,264	366,782
Interest and fiscal charges	<u>66,529</u>	<u>72,551</u>
Total expenses	<u>12,630,210</u>	<u>13,041,122</u>
Change in net position	324,238	(684,410)
Net position at beginning of year (restated)	<u>(2,482,301)</u>	<u>N/A</u>
Net position at end of year	<u>\$ (2,158,063)</u>	<u>\$ (2,482,301)</u>

**Governmental Activities**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$749,082 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$536,750.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 12,630,210
Pension expense under GASB 68	(536,750)
2015 contractually required contributions	<u>819,657</u>
Adjusted 2015 program expenses	12,913,117
Total 2014 program expenses under GASB 27	<u>13,041,122</u>
Increase (decrease) in program expenses not related to pension	<u>\$ (128,005)</u>

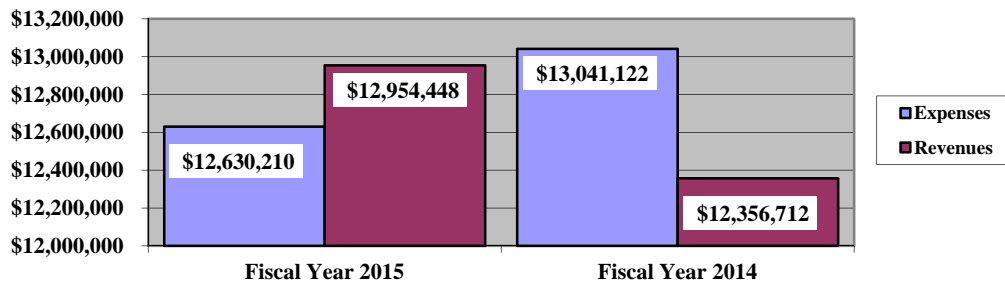
Net position of the District's governmental activities increased \$324,238. Total governmental expenses of \$12,630,210 were offset by program revenues of \$3,383,870 and general revenues of \$9,570,578. Program revenues supported 26.79% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements not restricted to specific programs. These revenue sources represent 72.85% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,122,457 or 56.39% of total governmental expenses for fiscal year 2015. The decrease of \$343,893 from 2014 can be attributed to premium holidays in May and June of 2015 offset by normal increases in salaries and benefits.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2015 and 2014:

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2015 and 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

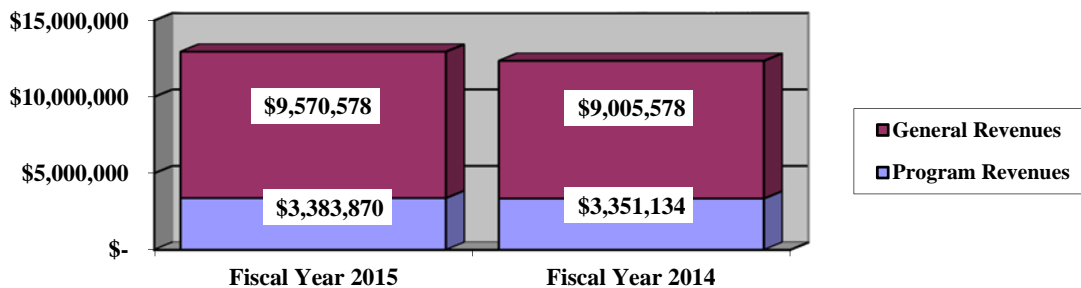
**Governmental Activities**

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,334,642	\$ 3,746,417	\$ 4,765,355	\$ 4,024,536
Special	2,196,262	268,327	2,092,724	302,066
Vocational	3,085	(57,917)	3,445	1,026
Other	588,468	588,468	604,826	604,826
Support services:				
Pupil	621,612	621,612	597,643	597,643
Instructional staff	214,750	92,488	167,045	46,529
Board of education	26,333	26,333	26,974	26,974
Administration	1,079,703	1,079,703	1,059,823	1,059,535
Fiscal	209,585	209,585	216,357	216,357
Operations and maintenance	1,494,353	1,493,822	1,538,197	1,537,741
Pupil transportation	608,998	603,170	635,119	631,488
Central	247,215	247,215	301,602	290,934
Operation of non-instructional:				
Food service operations	555,431	(433)	580,181	39,723
Other non-instructional services	11,980	10,273	12,498	12,498
Extracurricular activities	371,264	250,748	366,782	225,561
Interest and fiscal charges	<u>66,529</u>	<u>66,529</u>	<u>72,551</u>	<u>72,551</u>
Total expenses	<u>\$ 12,630,210</u>	<u>\$ 9,246,340</u>	<u>\$ 13,041,122</u>	<u>\$ 9,689,988</u>

The dependence upon tax and other general revenues for governmental activities is apparent, as 63.82% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.21%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2015 and 2014.

**Governmental Activities - General and Program Revenues**



**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$376,781 which is more than last year's deficit balance of \$230,521. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance June 30, 2015	Fund Balance (deficit) June 30, 2014	Increase
General	\$ 193,492	\$ (221,105)	\$ 414,597
Other Governmental	<u>183,289</u>	<u>(9,416)</u>	<u>192,705</u>
Total	<u>\$ 376,781</u>	<u>\$ (230,521)</u>	<u>\$ 607,302</u>

**General Fund**

The District's general fund's fund balance increased by \$414,597.

The table that follows assists in illustrating the financial activities and fund balance of the general fund for fiscal years 2015 and 2014.

	2015 <u>Amount</u>	2014 <u>Amount</u>	Increase/ (Decrease)	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,857,069	\$ 2,765,430	\$ 91,639	3.31 %
Tuition	730,813	871,667	(140,854)	(16.16) %
Intergovernmental	7,120,776	6,532,922	587,854	9.00 %
Other revenues	<u>72,160</u>	<u>105,741</u>	<u>(33,581)</u>	<u>(31.76) %</u>
Total	<u>\$ 10,780,818</u>	<u>\$ 10,275,760</u>	<u>\$ 505,058</u>	4.92 %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,657,887	\$ 6,017,054	\$ (359,167)	(5.97) %
Support services	4,309,650	4,357,651	(48,001)	(1.10) %
Operation of non-instructional services	582	2,801	(2,219)	(79.22) %
Extracurricular activities	197,920	173,849	24,071	13.85 %
Facilities acquisition and construction	33,059	74,750	(41,691)	(55.77) %
Debt service	<u>23,123</u>	<u>23,122</u>	<u>1</u>	0.00 %
Total	<u>\$ 10,222,221</u>	<u>\$ 10,649,227</u>	<u>\$ (427,006)</u>	(4.01) %

Overall revenues of the general fund increased \$505,058 or 4.92%. Tax revenue increased \$91,639 or 3.31% due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditors. Tuition revenue decreased 16.16% during the year due to lower collections for students attending the District through open enrollment. Unrestricted grants and entitlements increased \$587,854 or 9.00% due to additional revenue allocated from the state foundation. Other revenues decreased \$33,581.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Overall expenditures of the general fund decreased \$427,006 or 4.01%. This decrease is mainly attributable to decreases in instruction expenditures. This can be attributed to premium holidays provided in May and June 2015 on health insurance premiums.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2015, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,653,723 and final budgeted revenues and other financing sources were \$10,733,000. Actual revenues and other financing sources for fiscal year 2015 were \$10,733,667. This represents a \$667 increase over final budgeted revenues.

General fund original appropriations were \$10,779,389 and final appropriations and other financing uses were \$10,726,901. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$10,660,867, which was \$66,034 less than the final budget appropriations, due to cost savings in regular instruction.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2015, the District had \$12,684,401 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2015 balances compared to June 30, 2014.

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 121,788	\$ 121,788
Land improvements	474,497	572,421
Building and improvements	11,567,663	12,003,600
Furniture and equipment	328,225	390,537
Vehicles	<u>192,228</u>	<u>218,043</u>
<b>Total</b>	<b><u>\$ 12,684,401</u></b>	<b><u>\$ 13,306,389</u></b>

The overall decrease in capital assets of \$621,988 is due to depreciation expense of \$646,408 exceeding capital asset additions of \$24,420 in the fiscal year.

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

***Debt Administration***

At June 30, 2015, the District had \$1,415,821 in general obligation bonds, \$76,373 in lease purchase agreements outstanding and \$50,825 in capital leases outstanding. Of this total, \$292,433 is due within one year and \$1,250,586 is due in greater than one year.

The following table summarizes the debt outstanding at June 30, 2015 and June 30, 2014.

**Outstanding Bond and Lease Debt, at Year End**

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
General obligation bonds	\$ 1,415,821	\$ 1,587,670
Capital leases	50,825	70,860
Lease-purchase agreements	<u>76,373</u>	<u>163,097</u>
Total	<u>\$ 1,543,019</u>	<u>\$ 1,821,627</u>

At June 30, 2015, the District's overall legal debt margin was \$7,895,984, and an unvoted debt margin of \$100,811.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District has committed itself to educational and financial excellence. With leadership from the Board of Education and prudent fiscal planning, resources are allocated to meet the educational goals and challenges of our students. The District has been very frugal and has carefully managed its general fund budget in order to get the maximum value for the tax dollars available for educating the students of the Newcomerstown Exempted Village School District.

The District passed an 8 mill, five year emergency levy in the February 2006 special election (by a vote of 58% to 42%). This was the fourth try for additional operating revenue and this is the first new, additional operating funds the District had received in the last 13 years. The Levy was renewed at the May 2009 and November 2014 elections and generates \$750,000 annually.

The District also renewed a current 9.2 mill operating levy in May 2011. This operating levy generates \$527,100 annually and was renewed on the November 2015 ballot.

The District recently settled a three year contract on wages and benefits with both the certified and classified associations. The contract expires on June 30, 2018. Therefore, the District will begin negotiations with both associations in the spring of 2018.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and credits with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Christie Green, Treasurer, Newcomerstown Exempted Village School District, 702 S. River Street, Newcomerstown, Ohio 43832.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,647,317
Receivables:	
Property taxes . . . . .	3,434,306
Intergovernmental . . . . .	287,468
Inventory held for resale. . . . .	2,452
Capital assets:	
Nondepreciable capital assets . . . . .	121,788
Depreciable capital assets, net. . . . .	12,562,613
Capital assets, net . . . . .	12,684,401
Total assets. . . . .	18,055,944
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	33,023
Pension - STRS . . . . .	711,700
Pension - SERS . . . . .	226,016
Total deferred outflows of resources . . . . .	970,739
 <b>Liabilities:</b>	
Accounts payable. . . . .	118,075
Accrued wages and benefits payable . . . . .	979,878
Intergovernmental payable . . . . .	35,860
Pension and postemployment benefits payable. . . . .	170,209
Accrued interest payable . . . . .	3,981
Claims payable. . . . .	320,132
Long-term liabilities:	
Due within one year. . . . .	374,717
Due in more than one year:	
Net pension liability (See Note 14) . . . . .	12,557,318
Other amounts due in more than one year . . . . .	1,650,664
Total liabilities . . . . .	16,210,834
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	2,708,358
Pension - STRS. . . . .	1,853,759
Pension - SERS. . . . .	411,795
Total deferred inflows of resources . . . . .	4,973,912
 <b>Net position:</b>	
Net investment in capital assets . . . . .	11,121,606
Restricted for:	
Capital projects . . . . .	51,837
Permanent fund - expendable . . . . .	34,911
Classroom facilities maintenance . . . . .	269,985
Debt service. . . . .	180,462
State funded programs. . . . .	2,818
Federally funded programs . . . . .	5,571
Student activities . . . . .	33,150
Unrestricted (deficit) . . . . .	(13,858,403)
Total net position (deficit). . . . .	\$ (2,158,063)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Program Revenues</u>			<b>Net (Expense) Revenue and Changes in Net Position</b>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 4,334,642	\$ 562,088	\$ 26,137	\$ (3,746,417)
Special . . . . .	2,196,262	186,024	1,741,911	(268,327)
Vocational . . . . .	3,085	-	61,002	57,917
Other . . . . .	588,468	-	-	(588,468)
Support services:				
Pupil . . . . .	621,612	-	-	(621,612)
Instructional staff . . . . .	214,750	-	122,262	(92,488)
Board of education . . . . .	26,333	-	-	(26,333)
Administration . . . . .	1,079,703	-	-	(1,079,703)
Fiscal . . . . .	209,585	-	-	(209,585)
Operations and maintenance . . . . .	1,494,353	400	131	(1,493,822)
Pupil transportation . . . . .	608,998	-	5,828	(603,170)
Central . . . . .	247,215	-	-	(247,215)
Operation of non-instructional services:				
Food service operations . . . . .	555,431	91,345	464,519	433
Other non-instructional services . . . . .	11,980	-	1,707	(10,273)
Extracurricular activities . . . . .	371,264	120,516	-	(250,748)
Interest and fiscal charges . . . . .	66,529	-	-	(66,529)
<b>Total governmental activities . . . . .</b>	<b>\$ 12,630,210</b>	<b>\$ 960,373</b>	<b>\$ 2,423,497</b>	<b>(9,246,340)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				2,856,933
Debt service . . . . .				179,182
Special revenue . . . . .				37,268
Grants and entitlements not restricted to specific programs . . . . .				6,363,713
Investment earnings . . . . .				15
Miscellaneous . . . . .				133,467
<b>Total general revenues . . . . .</b>				<b>9,570,578</b>
<b>Change in net position . . . . .</b>				<b>324,238</b>
<b>Net position (deficit) at beginning of year (restated).</b>				<b>(2,482,301)</b>
<b>Net position (deficit) at end of year . . . . .</b>				<b>\$ (2,158,063)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 399,799	\$ 627,154	\$ 1,026,953
Receivables:			
Property taxes. . . . .	3,195,345	238,961	3,434,306
Interfund loans . . . . .	151,815	-	151,815
Intergovernmental. . . . .	11,017	276,451	287,468
Inventory held for resale. . . . .	-	2,452	2,452
Due from other funds . . . . .	367,391	-	367,391
Total assets . . . . .	<u>\$ 4,125,367</u>	<u>\$ 1,145,018</u>	<u>\$ 5,270,385</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 72,357	\$ 45,718	\$ 118,075
Accrued wages and benefits payable . . . . .	823,387	156,491	979,878
Compensated absences payable . . . . .	31,886	-	31,886
Intergovernmental payable . . . . .	30,934	4,926	35,860
Pension and postemployment benefits payable. . . . .	149,632	20,577	170,209
Interfund loans payable. . . . .	-	151,815	151,815
Due to other funds . . . . .	-	367,391	367,391
Total liabilities. . . . .	<u>1,108,196</u>	<u>746,918</u>	<u>1,855,114</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	2,520,154	188,204	2,708,358
Delinquent property tax revenue not available. . . . .	303,109	20,961	324,070
Intergovernmental revenue not available. . . . .	416	5,646	6,062
Total deferred inflows of resources . . . . .	<u>2,823,679</u>	<u>214,811</u>	<u>3,038,490</u>
<b>Fund balances:</b>			
Restricted:			
Debt service . . . . .	-	202,999	202,999
Capital improvements . . . . .	-	51,837	51,837
Classroom facilities maintenance . . . . .	-	266,291	266,291
Other purposes. . . . .	-	5,571	5,571
Extracurricular activities. . . . .	-	33,150	33,150
Permanent fund. . . . .	-	34,911	34,911
Assigned:			
Student and staff support. . . . .	87,557	-	87,557
School supplies. . . . .	32,045	-	32,045
Unassigned (deficit) . . . . .	73,890	(411,470)	(337,580)
Total fund balances . . . . .	<u>193,492</u>	<u>183,289</u>	<u>376,781</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,125,367</u>	<u>\$ 1,145,018</u>	<u>\$ 5,270,385</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015

<b>Total governmental fund balances</b>		\$	376,781
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			12,684,401
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	324,070	
Intergovernmental receivable		6,062	
Total		6,062	330,132
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			300,232
Unamortized premiums on bonds issued are not recognized in the funds.			(88,622)
Unamortized amounts on refundings are not recognized in the funds.			33,023
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(3,981)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		937,716	
Deferred inflows of resources - pension		(2,265,554)	
Net pension liability		(12,557,318)	
Total		(12,557,318)	(13,885,156)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		361,854	
Lease-purchase agreement		76,373	
Capital lease obligations		50,825	
General obligation current interest bonds		1,370,000	
General obligation capital appreciation bonds		9,998	
Accreted interest on capital appreciation bonds		35,823	
Total		1,904,873	(1,904,873)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>(2,158,063)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 2,857,069	\$ 219,790	\$ 3,076,859
Tuition. . . . .	730,813	-	730,813
Earnings on investments . . . . .	-	15	15
Charges for services . . . . .	-	91,345	91,345
Extracurricular. . . . .	36,388	84,128	120,516
Classroom materials and fees . . . . .	17,299	-	17,299
Rental income . . . . .	400	-	400
Contributions and donations . . . . .	2,755	115,394	118,149
Other local revenues . . . . .	15,318	-	15,318
Intergovernmental - state . . . . .	7,120,776	49,530	7,170,306
Intergovernmental - federal . . . . .	-	1,633,101	1,633,101
Total revenues . . . . .	<u>10,780,818</u>	<u>2,193,303</u>	<u>12,974,121</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	4,036,374	24,192	4,060,566
Special . . . . .	1,033,045	1,136,423	2,169,468
Other . . . . .	588,468	-	588,468
Support services:			
Pupil . . . . .	624,347	-	624,347
Instructional staff . . . . .	188,526	2,467	190,993
Board of education . . . . .	26,573	-	26,573
Administration . . . . .	1,043,763	4,806	1,048,569
Fiscal . . . . .	207,174	-	207,174
Operations and maintenance . . . . .	1,376,127	24,111	1,400,238
Pupil transportation . . . . .	595,961	-	595,961
Central . . . . .	247,179	-	247,179
Operation of non-instructional services:			
Food service operations. . . . .	-	519,617	519,617
Other non-instructional services. . . . .	582	1,700	2,282
Extracurricular activities . . . . .	197,920	90,548	288,468
Facilities acquisition and construction. . . . .	33,059	10,877	43,936
Debt service:			
Principal retirement. . . . .	20,035	271,724	291,759
Interest and fiscal charges . . . . .	3,088	58,133	61,221
Total expenditures . . . . .	<u>10,222,221</u>	<u>2,144,598</u>	<u>12,366,819</u>
Excess of revenues over expenditures. . . . .	<u>558,597</u>	<u>48,705</u>	<u>607,302</u>
<b>Other financing sources (uses):</b>			
Transfers in. . . . .	-	144,000	144,000
Transfers (out) . . . . .	<u>(144,000)</u>	<u>-</u>	<u>(144,000)</u>
Total other financing sources (uses) . . . . .	<u>(144,000)</u>	<u>144,000</u>	<u>-</u>
Net change in fund balances . . . . .	414,597	192,705	607,302
<b>Fund balances (deficit) at beginning of year. . . . .</b>	<u>(221,105)</u>	<u>(9,416)</u>	<u>(230,521)</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 193,492</u>	<u>\$ 183,289</u>	<u>\$ 376,781</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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, 2015

**Net change in fund balances - total governmental funds** \$ 607,302

*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.

Capital asset additions	\$ 24,420	
Current year depreciation	(646,408)	
<b>Total</b>	<b>(621,988)</b>	<b>(621,988)</b>

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

Property taxes	(3,476)	
Intergovernmental	(23,085)	
<b>Total</b>	<b>(26,561)</b>	<b>(26,561)</b>

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:

Bonds	185,000	
Capital leases	106,759	
<b>Total</b>	<b>291,759</b>	<b>291,759</b>

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

Decrease in accrued interest payable	347	
Accreted interest on capital appreciation bonds	(13,151)	
Amortization of bond premiums	11,949	
Amortization of deferred charges	(4,453)	
<b>Total</b>	<b>(5,308)</b>	<b>(5,308)</b>

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.

819,657

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(536,750)

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.

(18,651)

An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(185,222)

**Change in net position of governmental activities** **\$ 324,238**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,844,606	\$ 2,865,773	\$ 2,865,876	\$ 103
Tuition . . . . .	725,333	730,730	730,814	84
Rental income . . . . .	397	400	400	-
Contributions and donations . . . . .	2,501	2,520	2,755	235
Other local revenues . . . . .	15,187	15,300	15,317	17
Intergovernmental - state . . . . .	7,058,023	7,110,544	7,110,772	228
Total revenues . . . . .	<u>10,646,047</u>	<u>10,725,267</u>	<u>10,725,934</u>	<u>667</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,307,561	4,179,070	4,062,035	117,035
Special . . . . .	1,090,021	1,017,891	1,031,398	(13,507)
Vocational . . . . .	250	250	(97)	347
Other . . . . .	625,901	625,441	588,468	36,973
Support services:				
Pupil . . . . .	604,583	597,655	605,721	(8,066)
Instructional staff . . . . .	235,939	232,317	194,949	37,368
Board of education . . . . .	18,780	20,751	26,913	(6,162)
Administration . . . . .	1,097,284	1,068,669	1,044,667	24,002
Fiscal . . . . .	216,341	211,109	208,850	2,259
Operations and maintenance . . . . .	1,432,567	1,409,102	1,426,432	(17,330)
Pupil transportation . . . . .	681,395	656,743	729,483	(72,740)
Central . . . . .	234,875	223,555	257,058	(33,503)
Other operation of non-instructional services . . . . .	-	-	17	(17)
Extracurricular activities . . . . .	175,116	129,847	155,639	(25,792)
Facilities acquisition and construction . . . . .	58,776	58,686	33,519	25,167
Total expenditures . . . . .	<u>10,779,389</u>	<u>10,431,086</u>	<u>10,365,052</u>	<u>66,034</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(133,342)</u>	<u>294,181</u>	<u>360,882</u>	<u>66,701</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	7,676	7,733	7,733	-
Transfers (out) . . . . .	-	(144,000)	(144,000)	-
Advances (out) . . . . .	-	(151,815)	(151,815)	-
Total other financing sources (uses) . . . . .	<u>7,676</u>	<u>(288,082)</u>	<u>(288,082)</u>	<u>-</u>
Net change in fund balance . . . . .	(125,666)	6,099	72,800	66,701
<b>Fund balance at beginning of year . . . . .</b>	<b>532,381</b>	<b>532,381</b>	<b>532,381</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>23,966</b>	<b>23,966</b>	<b>23,966</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 430,681</b>	<b>\$ 562,446</b>	<b>\$ 629,147</b>	<b>\$ 66,701</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 620,364
Total assets. . . . .	620,364
<b>Liabilities:</b>	
Claims payable . . . . .	320,132
Total liabilities . . . . .	320,132
<b>Net position:</b>	
Unrestricted. . . . .	300,232
Total net position. . . . .	\$ 300,232

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 1,760,043
Total operating revenues . . . . .	<u>1,760,043</u>
<b>Operating expenses:</b>	
Claims . . . . .	1,945,265
Total operating expenses. . . . .	<u>1,945,265</u>
Operating loss and change in net position . . .	(185,222)
<b>Net position at beginning of year. . . . .</b>	<u>485,454</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 300,232</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 1,760,043
Cash payments for claims . . . . .	<u>(1,841,465)</u>
Net cash used in operating activities . . . . .	<u>(81,422)</u>
Net decrease in cash and cash equivalents . . . . .	(81,422)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>701,786</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u><u>\$ 620,364</u></u></b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (185,222)
Changes in assets and liabilities:	
Increase in claims payable . . . . .	<u>103,800</u>
Net cash used in operating activities. . . . .	<u><u>\$ (81,422)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 28	\$ 50,724
Total assets. . . . .	28	\$ 50,724
<b>Liabilities:</b>		
Accrued wages and benefits . . . . .	-	\$ 85
Intergovernmental payable . . . . .	-	5
Due to students. . . . .	-	50,634
Total liabilities . . . . .	-	\$ 50,724
<b>Net position:</b>		
Held in trust for scholarships . . . . .	28	
Total net position. . . . .	\$ 28	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Deductions:</b>	
Scholarships awarded . . . . .	\$ 500
Change in net position . . . . .	(500)
<b>Net position at beginning of year. . . . .</b>	<b>528</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 28</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1856 through the consolidation of existing land areas and school districts. The District is staffed by 53 non-certified employees, 82 certified full-time teaching personnel and 13 administrative employees who provide services to 981 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building and 1 garage.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Buckeye Career Center

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Career Center's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Career Center's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Career Center. Each participating District's control is limited to its representation on the Career Center's Board of Education. During fiscal year 2015, no monies were paid to the Career Center by the District.

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records and test scoring.

OME-RESA is one of 21 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by 47 member districts in 11 different Ohio counties. The member districts are comprised of public districts and educational service centers. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors. During fiscal year 2015, the District paid \$62,772 to OME-RESA for various services.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts and acts in the capacity of fiscal agent for OME-RESA.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the county auditor's office and eight members appointed by Boards of Education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of the TCTIRC. The continued existence of the TCTIRC is not dependent on the District's continued participation and no equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations. During fiscal year 2015, no monies were paid to the TCTIRC by the District.

*PUBLIC ENTITY RISK POOL*

Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal service fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical, vision and dental benefits to employees.

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

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will 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 District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. 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, both the government-wide statement of net position and the governmental fund financial statements 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 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, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources 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 District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.



**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair market value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control has been established by the Board of Education at the fund level of expenditures for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

***TAX BUDGET***

On July 25, 2002, the Tuscarawas County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenues and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

*ESTIMATED RESOURCES*

The Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final certificates of estimated resources issued during fiscal year 2015.

*APPROPRIATIONS*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriations resolution must be legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriations resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriations resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the appropriations at the legal level of control must be approved by the Board of Education.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted by the Board of Education during fiscal year 2015.

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

*LAPSING OF APPROPRIATIONS*

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**F. Cash and Cash Equivalents**

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

The District held no investments during fiscal year 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. During fiscal year 2015 there was no interest revenue credited to the general fund.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. 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. The District does not possess infrastructure.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25 - 40 years
Furniture and equipment	5 - 15 years
Vehicles	10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as “due to/from other funds”. These amounts are eliminated in the governmental type activities columns of the statement of net position.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2015, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 10 years of service or any age with at least 20 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board 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 District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Estimates**

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

**O. Interfund Activity**

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

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

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

On fund financial statements and the government wide financial statements, issuance costs are expended/expensed in the fiscal year they occur.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

**Q. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 14 to the financial statements, and added required supplementary information which is presented on pages 68 - 73.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 11,685,762
Deferred outflows - payments subsequent to measurement date	749,082
Net pension liability	(14,917,145)
Restated net position at July 1, 2014	\$ (2,482,301)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**B. Deficit Fund Balances**

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 407,321
Public school preschool	490
Race to the top	17
IDEA Part-B	2,686
Title I - disadvantaged children	956

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

**C. Compliance**

Ohio Revised Code 5705.10(I) requires that monies paid into any fund be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund. For 2015, it was noted the District had a negative cash balance in the food service fund in the amount of \$367,391.

Ohio Revised Code 5705.39 states, in part, that total appropriations from each fund shall not exceed the total of estimated revenue available for expenditure there from, as certified by the budget commission. For 2015, it was noted the District had appropriations in excess of total estimated revenues available in the food service fund in the amount of \$527,269.

The District will continue to monitor the food service fund to reduce the deficit fund balance.



**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 - DEPOSITS**

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

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

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

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

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

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 - DEPOSITS - (Continued)**

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

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

**A. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$1,698,069. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$250,000 of the District's bank balance of \$1,845,346 was covered by the FDIC, while \$1,595,346 was exposed to custodial risk as discussed below.

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

The District does not have a deposit policy specifically addressing its depository accounts with financial institutions.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS - (Continued)**

**B. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2015:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	<u>\$ 1,698,069</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 1,647,317
Private-purpose trust fund	28
Agency fund	<u>50,724</u>
Total	<u>\$ 1,698,069</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2015, as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 151,815</u>

- B. Interfund balances for the year ended June 30, 2015, consisted of the following due to/from other funds, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 367,391</u>

The primary purpose of the interfund balances is to cover negative cash balances in the governmental funds. These negative cash balances are not allowable as they do not meet the criteria of Ohio Revised Code Section 3315.20(A). These interfund balances are expected to be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- C. Interfund transfers consisted of the following at June 30, 2015, as reported on the fund statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 144,000</u>

The primary purpose of this transfer is to help operations of the food service fund. Transfers between governmental funds are eliminated for reporting in the statement of activities.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Tuscarawas, Guernsey and Coshocton Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$372,082 in the general fund, \$4,871 in the classroom maintenance fund (a nonmajor governmental fund) and \$24,925 in the debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$380,889 in the general fund, \$4,952 in the classroom maintenance fund (a nonmajor governmental fund) and \$25,031 in the debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 89,529,860	89.08	\$ 89,546,210	88.83
Public utility personal	10,976,970	10.92	11,264,710	11.17
Total	<u>\$ 100,506,830</u>	<u>100.00</u>	<u>\$ 100,810,920</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:	\$52.00		\$51.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2015 consisted of property taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 3,434,306
Intergovernmental	<u>287,468</u>
Total	<u>\$ 3,721,774</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance			Balance
	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 121,788	\$ -	\$ -	\$ 121,788
Total capital assets, not being depreciated	<u>121,788</u>	<u>-</u>	<u>-</u>	<u>121,788</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,809,767	-	-	1,809,767
Buildings and improvements	20,020,131	-	-	20,020,131
Furniture and equipment	2,802,298	20,820	-	2,823,118
Vehicles	1,018,362	3,600	(94,182)	927,780
Total capital assets, being depreciated	<u>25,650,558</u>	<u>24,420</u>	<u>(94,182)</u>	<u>25,580,796</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,237,346)	(97,924)		(1,335,270)
Buildings and improvements	(8,016,531)	(435,937)	-	(8,452,468)
Furniture and equipment	(2,411,761)	(83,132)	-	(2,494,893)
Vehicles	(800,319)	(29,415)	94,182	(735,552)
Total accumulated depreciation	<u>(12,465,957)</u>	<u>(646,408)</u>	<u>94,182</u>	<u>(13,018,183)</u>
Governmental activities capital assets, net	<u>\$ 13,306,389</u>	<u>\$ (621,988)</u>	<u>\$ -</u>	<u>\$ 12,684,401</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 327,075
Special	39,720
Vocational	3,085

Support services:

Pupil	4,829
Instructional staff	34,101
Administration	11,538
Fiscal	2,402
Operations and maintenance	53,962
Pupil transportation	29,415
Other non-instructional services	9,698
Food service operations	31,874
Extracurricular	<u>98,709</u>
Total depreciation expense	<u>\$ 646,408</u>

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

In a prior fiscal year, the District entered into capital lease agreements for copier equipment. The lease agreements meet the criteria of capital leases, as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds and as a reduction to the liability for the principal portion on the government-wide financial statements. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$102,107. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2015 was \$51,053, leaving a current book value of \$51,054. A corresponding liability was recorded on the statement of net position. Principal and interest payments in the 2015 fiscal year totaled \$20,035 and \$3,088, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2015:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2016	\$ 23,123
2017	23,123
2018	<u>7,708</u>
Total minimum lease payments	53,954
Less: Amount representing interest	<u>(3,129)</u>
Total	<u>\$ 50,825</u>

**NOTE 10 - LEASE-PURCHASE AGREEMENT**

On June 15, 2001, the District entered into a lease-purchase agreement with Banc One Leasing Corporation for the financing of the reconstruction and improvement of Lee Stadium, which includes bleachers, new all-weather track facilities and a concession/restroom building. The source of revenue to fund the principal and interest payments is derived from the Vernon and Edith Lee trust fund. The trust agreement stipulates that the monies donated to the District are to be used under the direction of the Board of Education for the maintenance, repair, construction and reconstruction to the District's athletic facilities. During fiscal year 2015, the District made principal payments totaling \$86,724 and interest payments totaling \$8,276 on the lease-purchase agreement. The lease payments are recorded as expenditures in the permanent fund (a nonmajor governmental fund).

A liability in the amount of the present value of minimum lease payments has been recorded in the statement of net position. Capital assets consisting of land and building improvements have been capitalized in the amount of \$1,012,028. This amount represents the costs of the reconstruction and improvements of Lee Stadium funded by the lease-purchase agreement.

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**NOTE 10 - LEASE-PURCHASE AGREEMENT - (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2015:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 79,734
Total minimum lease payments	79,734
Less: amount representing interest	<u>(3,361)</u>
Total	<u>\$ 76,373</u>

In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the reconstruction and improvements of Lee Stadium are being made to Banc One Leasing Corporation. The District is the lessor and Banc One Leasing Corporation is the lessee under the ground-lease agreement. The sublease commenced on June 15, 2001 and terminates on June 15, 2021, or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option.

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2015, the following activity occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2014 have been restated as described in Note 3.A.

<u>Governmental activities:</u>	<u>Balance</u>			<u>Balance</u>	<u>Amount</u>
	<u>06/30/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/15</u>	<u>Due Within</u>
					<u>One Year</u>
<u>General obligation bonds</u>					
Current interest refunding bonds-series 2010	\$ 1,555,000	\$ -	\$ (185,000)	\$ 1,370,000	\$ 195,000
Capital appreciation refunding bonds-series 2010	9,998	-	-	9,998	-
Accreted interest-series 2010	<u>22,672</u>	<u>13,151</u>	<u>-</u>	<u>35,823</u>	<u>-</u>
Total general obligation bonds	<u>1,587,670</u>	<u>13,151</u>	<u>(185,000)</u>	<u>1,415,821</u>	<u>195,000</u>
Capital leases	70,860	-	(20,035)	50,825	21,060
Net pension liability	14,917,145	-	(2,359,827)	12,557,318	-
Lease-purchase agreement payable	163,097	-	(86,724)	76,373	76,373
Compensated absences	<u>391,186</u>	<u>151,927</u>	<u>(149,373)</u>	<u>393,740</u>	<u>82,284</u>
Total long-term obligations	<u>\$ 17,129,958</u>	<u>\$ 165,078</u>	<u>\$ (2,800,959)</u>	<u>14,494,077</u>	<u>\$ 374,717</u>
				Add: Unamortized premium on bonds - 2010	<u>88,622</u>
				Total reported on statement of net position	<u>\$ 14,582,699</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid which, for the District, primarily includes the general fund, the food service fund and Title I fund (nonmajor governmental funds).



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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Series 2010 Refunding General Obligation Bonds**

On December 1, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to currently refund the callable portion of the Series 2001 school improvement general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded general obligation bonds at June 30, 2015, is \$1,379,998.

The refunding issue is comprised of both current interest bonds, par value \$2,100,000, and capital appreciation bonds par value \$9,998. The interest rates on the current interest bonds range from 2.00% - 4.25%. The capital appreciation bonds mature on December 1, 2019 (stated interest rate 36.860%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2019 is \$210,000. Total accreted interest of \$35,823 has been included in the statement of net position at June 30, 2015.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022. Debt payments will be made from the bond retirement fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$53,434. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 13 years by \$338,893 and resulted in an economic gain of \$212,481.

**C. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2015, are as follows:**

Fiscal Year Ending June 30,	Current Interest Bonds - Refunding 2010			Capital Appreciation Bonds - Refunding 2010		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 195,000	\$ 45,338	\$ 240,338	\$ -	\$ -	\$ -
2017	195,000	39,975	234,975	-	-	-
2018	200,000	33,800	233,800	-	-	-
2019	205,000	26,962	231,962	-	-	-
2020	-	23,375	23,375	9,998	200,002	210,000
2021 - 2023	575,000	33,038	608,038	-	-	-
Total	<u>\$ 1,370,000</u>	<u>\$ 202,488</u>	<u>\$ 1,572,488</u>	<u>\$ 9,998</u>	<u>\$ 200,002</u>	<u>\$ 210,000</u>

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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$7,895,984 (including available funds of \$202,999) and an unvoted debt margin of \$100,811.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for classified employees and 240 days for certified employees. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 55 days for all classified employees and 60 days for certified employees.

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to employees through Medical Life Insurance Company in the amount of \$30,000.

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**NOTE 12 - EMPLOYEE BENEFITS - (Continued)**

**C. Retirement Incentive**

A onetime retirement bonus in the amount of \$10,000 will be available to bargaining unit members who become first time eligible for retirement or reach 30 years of service under STRS guidelines and retire at the end of the school year in which they qualify. Payment shall be made the January following retirement.

**NOTE 13 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District contracted with Ohio School Plan for property insurance, for fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Ohio School Plan are as follows:

Building and contents - replacement cost (\$1,000 deductible)	\$62,368,865
Automobile liability (Buses, \$1,000 deductible; Other, \$250/\$500 deductible)	5,000,000
Professional liability:	
Per occurrence	5,000,000
Per aggregate	7,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no reduction in coverage.

**B. Workers' Compensation**

For fiscal year 2015, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (See Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Sheakley UniServe provides administrative, cost control and actuarial services to the Plan.

**C. Employee Group Life, Medical, Dental, and Vision Insurance**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The claims liability of \$320,132 reported in the internal service fund at June 30, 2015, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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**NOTE 13 - RISK MANAGEMENT - (Continued)**

Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2015	\$ 216,332	\$ 1,945,265	\$ (1,841,465)	\$ 320,132
2014	\$ 221,670	\$ 2,038,586	\$ (2,043,924)	\$ 216,332

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$204,422 for fiscal year 2015. Of this amount \$20,106 is reported as pension and postemployment benefits payable/intergovernmental payable.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$615,235 for fiscal year 2015. Of this amount, \$102,124 is reported as pension and postemployment benefits payable/intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,537,203	\$ 10,020,115	\$ 12,557,318
Proportion of the net pension liability	0.05013300%	0.04119527%	
Pension expense	\$ 148,064	\$ 388,686	\$ 536,750

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 21,594	\$ 96,465	\$ 118,059
District contributions subsequent to the measurement date	<u>204,422</u>	<u>615,235</u>	<u>819,657</u>
Total deferred outflows of resources	<u>\$ 226,016</u>	<u>\$ 711,700</u>	<u>\$ 937,716</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 411,795</u>	<u>\$ 1,853,759</u>	<u>\$ 2,265,554</u>
Total deferred inflows of resources	<u>\$ 411,795</u>	<u>\$ 1,853,759</u>	<u>\$ 2,265,554</u>

\$819,657 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (97,550)	\$ (439,324)	\$ (536,874)
2017	(97,550)	(439,324)	(536,874)
2018	(97,550)	(439,324)	(536,874)
2019	<u>(97,551)</u>	<u>(439,322)</u>	<u>(536,873)</u>
Total	<u>\$ (390,201)</u>	<u>\$ (1,757,294)</u>	<u>\$ (2,147,495)</u>

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.



**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,619,834	\$ 2,537,203	\$ 1,626,616

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 14,344,888	\$ 10,020,115	\$ 6,362,813

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$26,893.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$37,853, \$26,039, and \$23,453, respectively. For fiscal year 2015, 91.21 percent has been contributed, with the balance being reported as pension and postemployment benefits payable/intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

**B. State Teachers Retirement System**

**Plan Description** – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio Revised Code Chapter 3307 authorizes STRS 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. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$42,548, and \$43,389 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 72,800
Net adjustment for revenue accruals	1,197
Net adjustment for expenditure accruals	109,524
Net adjustment for other sources/uses	144,082
Funds budgeted elsewhere	5,937
Adjustment for encumbrances	81,057
GAAP basis	\$ 414,597

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 18 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	183,918
Current year qualifying expenditures	-
Current year offsets	(37,327)
Prior year offset from bond proceeds	<u>(146,591)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

In prior fiscal years, the District issued \$3,037,000 in general obligation bonds. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$2,263,594 at June 30, 2015.

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 63,095
Other governmental	<u>51,549</u>
Total	<u>\$ 114,644</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.05013300%	0.05013300%
District's proportionate share of the net pension liability	\$ 2,537,203	\$ 2,981,249
District's covered-employee payroll	\$ 1,456,775	\$ 1,408,526
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	211.66%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.04119527%	0.04119527%
District's proportionate share of the net pension liability	\$ 10,020,115	\$ 11,935,896
District's covered-employee payroll	\$ 4,209,023	\$ 4,338,862
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	275.09%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 204,422	\$ 201,909	\$ 194,940	\$ 193,566
Contributions in relation to the contractually required contribution	<u>(204,422)</u>	<u>(201,909)</u>	<u>(194,940)</u>	<u>(193,566)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,551,002	\$ 1,456,775	\$ 1,408,526	\$ 1,439,152
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 186,414	\$ 209,268	\$ 147,060	\$ 138,967	\$ 150,011	\$ 143,002
<u>(186,414)</u>	<u>(209,268)</u>	<u>(147,060)</u>	<u>(138,967)</u>	<u>(150,011)</u>	<u>(143,002)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,483,007	\$ 1,545,554	\$ 1,494,512	\$ 1,415,143	\$ 1,404,597	\$ 1,351,626
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 615,235	\$ 547,173	\$ 564,052	\$ 570,071
Contributions in relation to the contractually required contribution	<u>(615,235)</u>	<u>(547,173)</u>	<u>(564,052)</u>	<u>(570,071)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,394,536	\$ 4,209,023	\$ 4,338,862	\$ 4,385,162
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$ 582,883	\$ 620,378	\$ 608,543	\$ 579,870	\$ 550,138	\$ 532,624
(582,883)	(620,378)	(608,543)	(579,870)	(550,138)	(532,624)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,483,715	\$ 4,772,138	\$ 4,681,100	\$ 4,460,538	\$ 4,231,831	\$ 4,097,108
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



December 29, 2015

To the Board of Education  
Newcomerstown Exempted Village School District  
Tuscarawas County, Ohio  
702 South River Street  
Newcomerstown, OH 43832

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newcomerstown Exempted Village School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2015, in which we noted the District restated the net position balances to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Newcomerstown Exempted Village School District  
Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
Page 2 of 2

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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items 2015-001 and 2015-002.

### **District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

December 29, 2015

To the Board of Education  
Newcomerstown Exempted Village School District  
Tuscarawas County, Ohio  
702 South River Street  
Newcomerstown, OH 43832

**Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control over Compliance Required by OMB Circular A-133**

**Report on Compliance for Each Major Federal Program**

We have audited Newcomerstown Exempted Village School District's, Tuscarawas County, Ohio (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on the Child Nutrition Cluster***

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding the Child Nutrition Cluster finding numbers 2015-003 through 2015-006 as follows:

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (Cluster) Name</b>	<b>Compliance Requirement</b>
2015-003	10.553 & 10.555	Child Nutrition Cluster	Reporting
2015-004	10.553 & 10.555	Child Nutrition Cluster	Reporting
2015-005	10.553 & 10.555	Child Nutrition Cluster	Special Tests and Provisions
2015-006	10.553 & 10.555	Child Nutrition Cluster	Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2015.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

***Other Matters***

The District's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003 through 2015-006 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-007 to be a significant deficiency.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hea & Associates, Inc.*

New Philadelphia, Ohio

**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2015*

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2014	84.010	\$ 90,299	\$ 85,961
Title I Grants to Local Educational Agencies	2015	84.010	498,430	582,068
Total Title I Grants to Local Educational Agencies			<u>588,729</u>	<u>668,029</u>
Special Education - Grants to States	2014	84.027	40,939	40,344
Special Education - Grants to States	2015	84.027	213,687	211,221
Total Special Education - Grants to States			<u>254,626</u>	<u>251,565</u>
Rural Education	2015	84.358	1,806	3,629
Title II-A - Improving Teacher Quality	2014	84.367	11,835	11,791
Title II-A - Improving Teacher Quality	2015	84.367	59,943	70,001
Total Title II-A - Improving Teacher Quality			<u>71,778</u>	<u>81,792</u>
Race to the Top - Resident Educator	2015	84.395	2,450	2,450
<b>Total U.S. Department of Education</b>			<b><u>919,389</u></b>	<b><u>1,007,465</u></b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	(C)	2015	37,738	37,738
<i>Cash Assistance:</i>				
School Breakfast Program	(B)	2015	131,565	131,565
National School Lunch Program	(B)	2015	287,646	287,646
<i>Cash Assistance Subtotal</i>			<u>419,211</u>	<u>419,211</u>
<i>Total Child Nutrition Cluster</i>			<u>456,949</u>	<u>456,949</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>456,949</u></b>	<b><u>456,949</u></b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b><u>\$ 1,376,338</u></b>	<b><u>\$ 1,464,414</u></b>

See accompanying notes to the Schedule of Expenditures of Federal Awards

**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Notes to the Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2015*

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**Note A – Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

**Note B – Commingled Funds**

Federal money is commingled with state subsidy reimbursements for Child Nutrition Cluster. It is assumed federal moneys are expended first.

**Note C – Food Donation Program**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133, Section .505*  
*June 30, 2015*

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	Yes
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Qualified – Child Nutrition Cluster Unmodified – Title I
(d) (1) (vi)	Are there any reportable findings under Section .510?	Yes
(d) (1) (vii)	Major Programs (list): Child Nutrition Cluster School Breakfast Program National School Lunch Program Title I	CFDA #  10.553 10.555 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No



**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*OMB Circular A-133, Section .505*  
*June 30, 2015*

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number: 2015-001**

**Material Noncompliance – Negative Fund Balance**

**Criteria:** Ohio Revised Code 5705.10(I) requires that monies paid into any fund be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Ohio Revised Code 3315.20 states a school district may have a deficit in any special fund of the district only if both of the following conditions are satisfied : (1) the district has a request for payment pending with the state sufficient to cover the amount of the deficit and there is reasonable likelihood that the payment will be made, and (2) the unspent and unencumbered balance in the district’s general fund is greater than the aggregate of deficit amounts in all of the district’s special funds.

Ohio Revised Code 3313.81 states, in part, that revenues for the operation, maintenance, improvement, and purchase of equipment shall be provided by the Food Service Fund, appropriations transferred from the General Fund, federal funds, and from other proper sources.

**Condition:** During fiscal year 2015, the Food Service Fund incurred a negative cash fund balance in the amount of \$367,391. As a result, monies from other funds were used to cover the obligations incurred by this fund.

**Cause:** Starting in 2003, the District has maintained a deficit in the Food Service Fund. In past years the Food Service Fund has sustained a net loss, thus increasing the deficit fund cash balance. However, in fiscal year 2015 we noted this fund had a net gain of \$175,878, due to a transfer from the General Fund on June 17, 2015 to the Food Service Fund in the amount of \$144,000, which reduced the deficit from (\$543,269) at June 30, 2014 to (\$367,391) at June 30, 2015.

**Effect:** The District continues to maintain a fund balance deficit in the Food Service Fund.

**Recommendation:** The District should monitor receipts and disbursements on a regular basis to ensure a sufficient fund balance exists before authorizing the expenditure of funds. In those cases where additional funds are required, the resources should either be transferred or advanced to that fund from the General Fund to help avoid a negative cash fund balance. This would include appropriating General Fund monies at the beginning of the year to reduce fund deficit balances. In order for the opinion to not be modified in the future, we recommend the District establish a formal plan to reduce the negative cash fund balance in the Food Service Fund.

**Management’s Response:** The District has monitored the deficit cash fund balance in the Food Service Fund during the past few years. Different cash-saving plans have been implemented with some cost savings. In the future, the Board will continue to explore various options concerning the deficit in the Food Service Fund.

**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*OMB Circular A-133, Section .505*  
*June 30, 2015*

**Finding Number: 2015-002**

**Material Noncompliance – Budgeting Procedures**

**Criteria:** Ohio Revised Code 5705.39 states, in part, that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

**Condition:** At June 30, 2015, the following fund had appropriations exceeding estimated resources:

	Total Estimated Resources	Final Appropriations	Excess
Food Service	\$ (25,269)	\$ 502,000	\$ (527,269)

**Cause:** This is a direct result of a prior year deficit unencumbered fund balance.

**Effect:** Failure to monitor budgetary expenditures and appropriations could result in unauthorized expenditures and increased fund deficit.

**Recommendation:** We recommend the District monitor appropriations and estimated resources and file amendments as needed with the County Auditor to ensure the total appropriation from do not exceed the total official estimate or amended official estimate. This will help reduce the risk of disbursements exceeding actual revenues, available and will add a measure of control over the District’s budgetary process.

**Management’s Response:** While appropriations in the Food Service Fund was within current year estimated revenue as certified to the budget commission, the deficit fund balance caused appropriations to exceed total estimated resources in this fund. Once the deficit fund balance has been eliminated, the District should be able to adequately monitor budgetary compliance to ensure that appropriations do not exceed total estimated resources available for expenditure.

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**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*OMB Circular A-133, Section .505*  
*June 30, 2015*

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2015-003
<b>CFDA Title and Number</b>	Child Nutrition Cluster – CFDA #10.553/10.555
<b>Federal Award Number / Year</b>	2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness - Reporting**

**Criteria:** 7 CFR part 210.8(a) provides the school authority (District) shall establish internal controls which ensure the accuracy of lunch counts prior to the submission of the monthly Claim for Reimbursement. At a minimum, these internal controls shall include: an on-site review of the lunch counting and claiming system employed by each school within the jurisdiction of the school food authority; comparisons of daily free, reduced price and paid lunch counts against data which will assist in the identification of lunch counts in excess of the number of free, reduced price and paid lunches served each day to children eligible for such lunches; and, a system for following up on those lunch counts which suggest the likelihood of lunch counting problems.

7 CFR part 210.8(a)(2) *School food authority claims review process.* Prior to the submission of a monthly Claim for Reimbursement, each school food authority (District) shall review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement. The objective of this review is to ensure that monthly claims include only the number of free, reduced price and paid lunches served on any day of operation to children currently eligible for such lunches.

7 CFR part 210.8(a)(3)(i) *Edit checks.* The following procedure shall be followed for school food authorities identified in paragraph (a)(2)(ii) of this section, by other school food authorities at State agency option, or, at their own option, by school food authorities identified in paragraph (a)(2)(i) of this section: the school food authority shall compare each school's daily counts of free, reduced price and paid lunches against the product of the number of children in that school currently eligible for free, reduced price and paid lunches, respectively, times an attendance factor.

**Condition/Context:** The District implemented limited internal control procedures to ensure the data captured by the point-of sale cash registers (POS) was complete or accurate. There was little to no documentation provided to reflect the CN daily counts were compared with the average daily attendance for students at each building. The District completes the monthly Site Claim Forms from data captured by the POS and did not ensure the data submitted on monthly Site Claim Forms was accurate and complete. The average number of students who have access to lunch program (ADM) and average daily attendance factor (ADA) amounts reported on the CN reports are to be used as edit checks for accurate submission of lunch room counts each month. Daily worksheets were used by cashiers to compare the Daily Sales Report to the number of students served on the Production report, however this control was not documented by the District.

**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*OMB Circular A-133, Section .505*  
*June 30, 2015*

**Finding Number 2015-003 (Continued)**

**Effect:** Noncompliance with 7 CFR part 210.8(a), 7 CFR part 210.8(a)(2), and 7 CFR part 210.8(a)(3)(i).

**Recommendation:** We recommend the District implement control procedures to ensure the accuracy of lunch counts prior to the submission of the monthly Site Claim Forms through the Claims Reporting and Reimbursement System (CRRS). This could be accomplished by the following:

- Compare the daily number of free and reduced-priced meals served against the number of students reported on the CN 6/7 reports under ADM as free, reduced, and paid. Free and reduced-priced meals may not be claimed in excess of the maximum number of students approved for such benefits.
- Compare the daily number of paid, reduced-price, and free lunches served against the number of students eligible times an attendance factor. Meal counts which are greater than the average daily attendance (ADA) must have documentation to support them. If the counts cannot be justified, appropriate corrections must be made before the monthly Site Claim Form is submitted to Ohio Department of Education for reimbursement.

**School District's Response:** See Corrective Action Plan.

<b>Finding Number</b>	2015-004
<b>CFDA Title and Number</b>	Child Nutrition Cluster – CFDA #10.553/10.555
<b>Federal Award Number / Year</b>	2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness - Reporting**

**Criteria:** 7 CFR part 210.8(a)(1) *On-site reviews.* Every school year, each school food authority (District) with more than one school shall perform no less than one on-site review of the lunch counting and claiming system employed by each school under its jurisdiction. The on-site review shall take place prior to February 1 of each school year. Further, if the review discloses problems with a school's meal counting or claiming procedures, the school food authority shall: ensure that the school implements corrective action; and, within 45 days of the review, conducts a follow-up on-site review to determine that the corrective action resolved the problems. Each on-site review shall ensure that the school's claim is based on the counting system authorized by the State agency under § 210.7(c) of this part and that the counting system, as implemented, yields the actual number of reimbursable free, reduced price and paid lunches, respectively, served for each day of operation.

**Condition/Context:** The District conducted an on-site review at the Middle school on December 4, 2014 but did not perform a site-review at the three other schools, East Elementary, West Elementary and the High School before February 1, 2015. The federal code section requires no less than one on-site review of the lunch counting and claiming system at each school under its jurisdiction. Newcomerstown Exempted Village School District has four schools that serve lunches under its jurisdiction.

**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*OMB Circular A-133, Section .505*  
*June 30, 2015*

**Finding Number 2015-004 (Continued)**

**Effect:** Noncompliance with the regulations of 7 CFR part 210.8(a)(1).

**Recommendation:** We recommend the District implement control procedures to perform on-site reviews of the lunch counting and claiming system at each serving site before February 1 of the fiscal year. This documentation should be maintained on file for review.

**School District's Response:** See Corrective Action Plan.

<b>Finding Number</b>	2015-005
<b>CFDA Title and Number</b>	Child Nutrition Cluster – CFDA #10.553/10.555
<b>Federal Award Number / Year</b>	2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Special Tests and Provisions**

**Criteria:** 7 CFR part 210.13(2)(d) the school food authority shall ensure that the necessary facilities for storage, preparation and service of food are maintained. Facilities for the handling, storage, and distribution of purchased and donated foods shall be such as to properly safeguard against theft, spoilage and other loss.

**Condition/Context:** Our review of the internal control procedures over inventory disclosed there was a lack of internal controls and accountability. The District's current Food Service Director provided us with monthly inventory sheets, but these sheets only contained an inventory count at a point in time. Each serving point did an informal physical count of inventory at the end of the month. The District did not maintain perpetual inventories for commodities or regular food purchases that would reflect beginning inventory, purchases, used and ending inventory.

**Effect:** Noncompliance with the regulations of 7 CFR part 210.13(2)(d).

**Recommendation:** We recommend the District implement a perpetual inventory system at each food storage location to account for the handling, purchasing, storage, and use of all inventories. In addition, at least quarterly, a person independent of the person responsible for the perpetual inventory, should complete a physical inventory count to ensure the completeness and accuracy of the inventory.

For donated commodities, the month-end inventory counts should be reconciled to the Ohio Department of Education's CATS inventory reporting system. Additional procedures should be developed for the safeguarding of all food inventories. Implementing internal controls will ensure all food inventories are accounted for, while deterring waste and possible theft.

**School District's Response:** See Corrective Action Plan.

**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*OMB Circular A-133, Section .505*  
*June 30, 2015*

<b>Finding Number</b>	2015-006
<b>CFDA Title and Number</b>	Child Nutrition Cluster – CFDA #10.553/10.555
<b>Federal Award Number / Year</b>	2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Special Tests and Provisions**

**Criteria:** Each school year, Local Education Agencies are required to verify the eligibility of children in a sample of household applications approved for free or reduced price meal benefits. Under the existing regulations at 7 CFR part 245.6a(c), the school food authority may verify a sample of randomly selected applications or a sample of focused applications.

**Condition/Context:** While performing federal testing over the nutrition cluster for verification, we noted the verification for the 2014/2015 school year was not maintained and could not be produced. The District did not have sufficient controls in place to ensure all procedures and results of verification were completely and accurately documented due to turnover in the District’s Food Service Director position.

**Effect:** This caused noncompliance with the regulations of 7 CFR part 245a(c).

**Recommendation:** We recommend the District develop procedures to ensure all applications selected for eligibility verification, as well as results of the verification, are retained.

**School District’s Response:** See Corrective Action Plan.

<b>Finding Number</b>	2015-007
<b>CFDA Title and Number</b>	Child Nutrition Cluster – CFDA #10.553/10.555
<b>Federal Award Number / Year</b>	2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Significant Deficiency - Allowability**

**Criteria:** Federal Regulations (Appendix A to 2 CFR 225 (C)(1)(c)) include the following requirements: "to be allowable under Federal awards, costs must meet a) be necessary and reasonable for proper and efficient performance and administration of Federal Awards, b) be allocable to Federal awards under the provisions of 2 CFR part 225, and c) be authorized and not prohibited under State or local laws or regulations."

**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*OMB Circular A-133, Section .505*  
*June 30, 2015*

**Finding Number 2015-007 (Continued)**

**Condition/Context:** The District's procedures for monitoring allowability of disbursements from grant funds include the sign-off of an invoice or purchase order by the Food Service Director. During our testing of allowability over the Nutrition Cluster, we noted that no invoices or purchase orders tested were signed by the Food Service Director. We did note additional monitoring review performed by the Board of Education and Management, including review of monthly bills and financial reports during monthly board meetings. No noncompliance or questioned costs were identified in our testing.

**Effect:** There is an increased risk of expenditures not being allowable if the control process is not properly followed.

**Recommendation:** The District should adopt internal review procedures to ensure all Nutrition Cluster purchases are properly approved prior to payment.

**School District's Response:** See Corrective Action Plan.

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**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Schedule of Prior Audit Findings*  
*OMB Circular A-133, Section .315(b)*  
*June 30, 2015*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain</b>
<b>2014-001</b>	Ohio Rev. Code § 5705.10(I) requires that monies paid into any fund be used only for the purpose for which fund has been established. Throughout fiscal year 2013 and as of June 30, 2014, the Food Service Fund incurred significant negative cash fund balances	No	Repeated as item 2015-001
<b>2014-002</b>	Ohio Rev. Code § 5705.39 states, in part, that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission. As of June 30, 2014, Food Service Fund appropriations of \$550,000 exceeded estimated resources of \$1,954 by \$548,046. This is a direct result of a year-end negative cash fund balance.	No	Repeated as item 2015-002
<b>2014-003</b>	7 CFR part 210.8(a); 7 CFR part 210.8(a)(2) School food authority claims review process; and 7 CFR part 210.8(a)(3)(i) Edit checks require the District to ensure accuracy of data submission, including review of count data and comparison of reported free and reduced lunches to number of eligible children. There was lacking support of counts and inaccurate data submissions on site claim forms.	No	Repeated as item 2015-003
<b>2014-004</b>	7 CFR part 210.7(c) Reimbursement limitations. To be entitled to reimbursement under this part, each school food authority (School District) shall ensure that Claims for Reimbursement are limited to the number of free, reduced price and paid lunches and meal supplements that are served to children eligible for free, reduced price and paid lunches and meal supplements, respectively, for each day of operation. It was determined that the lunch counting system maintained by the District to capture lunches served indicated that the point of sale (POS) system was properly capturing the free, reduced and paid lunches served.	No	Partially Corrected; Reported with item 2015-003



**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Schedule of Prior Audit Findings (Continued)*  
*OMB Circular A-133, Section .315(b)*  
*June 30, 2015*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain</b>
<b>2014-005</b>	7 CFR part 210.8(a)(1) On-site reviews. Every school year, each school food authority (School District) with more than one school shall perform no less than one on-site review of the lunch counting and claiming system employed by each school under its jurisdiction. The District conducted an on-site review at the Middle School on December 4, 2014 but did not perform a site-review at the three other schools, East Elementary, West Elementary and the High School before February 1, 2014.	No	Repeated as item 2015-004
<b>2014-006</b>	7 CFR part 210.13(2)(d) the school food authority shall ensure that the necessary facilities for storage, preparation and service of food are maintained. Review of the internal control procedures over inventory disclosed there was a lack of internal controls and accountability.	No	Repeated as item 2015-005
<b>2014-007</b>	7 CFR part 210.14(e) for school year beginning July 1, 2011, school food authorities (School District) shall establish prices for paid lunches in accordance with requirements set forth. The District did not provide the calculations for the school year 2013-14 Paid Lunch Equity calculation for audit.	Yes	

**Newcomerstown Exempted Village School District**  
**Tuscarawas County, Ohio**  
*Corrective Action Plan*  
*OMB Circular A-133, Section .315(c)*  
*June 30, 2015*

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
<b>2015-003</b>	The School Board eliminated the position of Food Service Director. The Board of Education contracted with a food service contractor to provide service during the 2015/2016 school year.	Complete at time of audit	Christie Green, Treasurer
<b>2015-004</b>	The School Board eliminated the position of Food Service Director. The Board of Education contracted with a food service contractor to provide service during the 2015/2016 school year.	Complete at time of audit	Christie Green, Treasurer
<b>2015-005</b>	The School Board eliminated the position of Food Service Director. The Board of Education contracted with a food service contractor to provide service during the 2015/2016 school year.	Complete at time of audit	Christie Green, Treasurer
<b>2015-006</b>	The School Board eliminated the position of Food Service Director. The Board of Education contracted with a food service contractor to provide service during the 2015/2016 school year.	Complete at time of audit	Christie Green, Treasurer
<b>2015-007</b>	The School Board eliminated the position of Food Service Director. The Board of Education contracted with a food service contractor to provide service during the 2015/2016 school year.	Complete at time of audit	Christie Green, Treasurer



# Dave Yost • Auditor of State

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT**

**TUSCARAWAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 12, 2016**