



**NEWBURY LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

**NEWBURY LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Newbury Local School District
Lake County
14775 Auburn Road
Newbury, Ohio 44065

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Newbury Local School District, Geauga County, Ohio, (the District), as of and for the years ended June 30, 2009 and June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Newbury Local School District, Geauga County, Ohio, as of June 30, 2009 and June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

April 22, 2010

Newbury Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2009
Unaudited

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

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities decreased \$421,953, which represents a 9.2% decrease from 2008. Further analysis of this decrease may be found on page five.
- Revenues for governmental activities totaled \$7,922,182 in 2009. Of this total, \$6,856,352 or 86.5% consisted of general revenues while program revenues accounted for the balance of \$1,065,830 or 13.5%.
- The School District had \$8,344,135 in expenses related to governmental activities; only \$1,065,830 of these expenses was offset by program specific charges for services, operating grants or contributions, and capital grants and contributions. General revenues (primarily taxes and school foundation) of \$6,856,352 helped to provide but were not adequate for these programs.
- Program expenses totaled \$8,344,135. Instructional expenses made up \$4,757,999 or 57.0% of this total while support services accounted for \$2,926,264 or 35.1%. Other expenses, \$659,872 rounded out the remaining 7.9%.
- Unrestricted net assets carried a balance of \$584,831, a decrease of \$510,366 from the prior year's balance of \$1,095,197. This component of net assets is primarily related to the activity of the general fund.
- Total assets of governmental activities increased \$25,163 which represents a 0.3% increase from 2008.

Using this Annual Financial Report

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

Newbury Local School District
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The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Newbury Local School District, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

The analysis of the School District as a whole begins on page five. While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?". The *Statement of Net Assets* and the *Statement of Activities* assist in answering these questions. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the readers that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, the School Districts' activities are considered to be all governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 10. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal 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 statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

Table 1		
Net Assets		
Governmental Activities		
	<u>2009</u>	<u>2008</u>
Assets		
Current and other assets	\$ 6,428,290	\$ 6,394,115
Capital assets, net of depreciation	<u>3,426,904</u>	<u>3,435,916</u>
Total assets	<u>9,855,194</u>	<u>9,830,031</u>
Liabilities		
Other liabilities	5,248,543	4,722,388
Long-term liabilities:		
Due within one year	47,900	133,169
Due in more than one year	<u>410,804</u>	<u>404,574</u>
Total liabilities	<u>5,707,247</u>	<u>5,260,131</u>
Net Assets		
Invested in capital assets	3,426,904	-
Invested in capital assets, net of debt	-	3,357,229
Restricted for:		
Capital projects	48,830	28,486
Debt service	-	1,063
Set asides	31,149	31,149
Other purposes	56,233	56,776
Unrestricted	<u>584,831</u>	<u>1,095,197</u>
Total net assets	<u>\$ 4,147,947</u>	<u>\$ 4,569,900</u>

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Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the School District's assets exceeded liabilities by \$4,147,947.

Capital assets, reported on the government-wide statements represent a large component of net assets. Capital assets include land and land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress which are used to provide services to students and are not available for future spending.

A portion of the School District's net assets, \$136,212, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$48,830 is restricted for capital projects, \$56,233 is restricted for other purposes and \$31,149 is restricted for set asides. Restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for resources restricted for the operation of the School District's recreation center.

The vast majority of revenues supporting governmental activities were general revenues. General revenue totaled \$6,856,352 or 86.5% of total revenue. The most significant portion of the general revenue is property taxes which is 56.8% of total revenue and intergovernmental grants and entitlements revenue (consisting of state foundation, homestead and rollback, and personal property tax exemption) which is 28% of total revenue. Investment earnings and miscellaneous revenue account for 1.8% of total revenue. The remaining amount of revenue received was in the form of program revenues, which equated \$1,065,830 or only 13.5% of total revenue.

Newbury Local School District
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Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Program Revenues		
Charges for services	\$ 508,551	\$ 468,379
Operating grants and contributions	548,216	580,228
Capital grants and contributions	9,063	4,797
Total program revenues	<u>1,065,830</u>	<u>1,053,404</u>
General Revenues		
Property taxes	4,495,949	4,871,718
Grants and entitlements	2,220,553	2,091,316
Investment earnings	71,162	91,359
Miscellaneous	68,688	32,889
Total general revenues	<u>6,856,352</u>	<u>7,087,282</u>
Total revenues	<u>7,922,182</u>	<u>8,140,686</u>
Program Expenses		
Instruction:		
Regular	3,872,307	3,791,093
Special	782,511	728,523
Vocational	70,943	68,680
Adult/continuing	1,000	-
Other	31,238	-
Support services:		
Pupils	397,842	427,449
Instructional staff	185,885	174,526
Board of education	92,553	97,681
Administration	574,934	584,012
Fiscal	277,253	307,640
Operation and maintenance of plant	767,312	741,099
Pupil transportation	558,932	621,547
Central	71,553	84,744
Operation non-instructional services	353,554	380,355
Extracurricular activities	303,236	322,479
Interest and fiscal charges	3,082	7,517
<i>Total Program Expenses</i>	<u>8,344,135</u>	<u>8,337,345</u>
Change in net assets	(421,953)	(196,659)
Net assets beginning of year	<u>4,569,900</u>	<u>4,766,559</u>
<i>Net Assets End of Year</i>	<u>\$ 4,147,947</u>	<u>\$ 4,569,900</u>

Expenses increased \$6,790 or 0.1% in 2009 as compared to 2008. This increase was not due to any one item. During the same period, revenues decreased by \$218,504 or 2.7%. This decrease was mainly due to the loss of the Tangible Personal Property (TPP) Tax.

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 56.8% of revenues for governmental activities for the School District in fiscal year 2009. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

Instruction comprises 57% of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 35.1%. The remaining 7.9% of program expenses is used for other obligations of the School District such as operation of non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and operating and capital grants and contributions offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Newbury Local School District
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Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2009</u>	Net Cost of Services <u>2008</u>
Program Expenses				
Instruction:				
Regular	\$ 3,872,307	\$ 3,791,107	\$ (3,524,066)	\$ (3,311,785)
Special	782,511	728,519	(567,583)	(613,803)
Vocational	70,943	68,680	(70,943)	(68,680)
Adult/continuing	1,000	-	6,500	-
Other	31,238	-	(31,238)	-
Support services:				
Pupils	397,842	427,449	(392,214)	(419,282)
Instructional staff	185,885	174,524	(183,589)	(171,952)
Board of education	92,553	97,681	(92,553)	(97,681)
Administration	574,934	584,006	(532,278)	(578,065)
Fiscal	277,253	307,640	(277,253)	(307,640)
Operation and maintenance of plant	767,312	741,097	(766,656)	(740,498)
Pupil transportation	558,932	621,547	(549,869)	(616,750)
Central	71,553	84,744	(65,553)	(78,525)
Operation non-instructional services:				
Food service operations	204,440	204,671	(53,610)	(42,717)
Community services	149,114	175,684	23,571	(30,801)
Extracurricular activities	303,236	322,479	(197,889)	(198,245)
Interest and fiscal charges	3,082	7,517	(3,082)	(7,517)
Total	<u>\$ 8,344,135</u>	<u>\$ 8,337,345</u>	<u>\$ (7,278,305)</u>	<u>\$ (7,283,941)</u>

The dependence upon tax revenues for governmental activities is apparent. The net cost of the programs of \$7,278,305 was supported by mostly by property taxes. Program revenues totaled \$1,065,830 accounting for 13.5% of all governmental revenues. Program revenues include charges for services, operating and capital grants and contributions that are program specific. The community, as a whole, is the primary support for Newbury Local School District students.

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The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$8,124,123 and total expenditures and other financing uses were \$8,488,717. The total governmental funds balance decreased by \$364,594, the School District continues to be financially stable with a total governmental fund balance of \$1,000,971 at year-end. Table 4 shows fiscal year 2009 fund balances compared to fiscal year 2008.

Table 4
Fund Balances

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase/ (Decrease)	Percent Change
General	\$ 973,479	\$ 1,368,970	\$ (395,491)	(28.89)
Other governmental	<u>27,492</u>	<u>(3,405)</u>	<u>30,897</u>	<u>907.40</u>
Total	<u>\$ 1,000,971</u>	<u>\$ 1,365,565</u>	<u>\$ (364,594)</u>	<u>(26.70)</u>

General Fund

The net change in fund balance for the fiscal year was most significant in the general fund reporting a fund balance of \$973,479, a decrease of \$395,491 from 2008. This decrease was attributable to a decrease of \$140,733 primarily property taxes revenue in addition expenditures in the general fund increased by \$287,902 primarily related instruction.

Newbury Local School District
Management's Discussion and Analysis
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Table 5
 General Fund Changes in Revenues and Expenditures

	2009 Amount	2008 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 4,421,767	\$ 4,562,500	\$ (140,733)	(3.08)
Intergovernmental	2,266,688	2,075,072	191,616	9.23
Interest	71,162	90,738	(19,576)	(21.57)
Tuition and fees	236,846	198,689	38,157	19.20
Extracurricular activities	35,131	40,193	(5,062)	(12.59)
Charges for services	25,349	10,425	14,924	143.16
Rent	600	-	600	n/a
Miscellaneous	68,688	51,736	16,952	32.77
Total revenues	<u>7,126,231</u>	<u>7,029,353</u>	<u>96,878</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,689,352	3,557,429	131,923	3.71
Special	588,998	441,225	147,773	33.49
Vocational	70,720	68,134	2,586	3.80
Other	25,087	-	25,087	n/a
Support services:				
Pupils	375,833	408,021	(32,188)	(7.89)
Instructional staff	182,720	167,057	15,663	9.38
Board of education	92,553	97,681	(5,128)	(5.25)
Administration	537,116	537,016	100	0.02
Fiscal	276,093	304,101	(28,008)	(9.21)
Operation and maintenance of plant	729,947	681,712	48,235	7.08
Pupil transportation	510,943	565,328	(54,385)	(9.62)
Central	65,385	70,504	(5,119)	(7.26)
Operation of non-instructional services:				
Community service	266	285	(19)	(6.67)
Extracurricular	228,140	231,870	(3,730)	(1.61)
Capital outlay	74,487	29,375	45,112	153.57
Total expenditures	<u>\$ 7,447,640</u>	<u>\$ 7,159,738</u>	<u>\$ 287,902</u>	

General Fund Budgeting Highlights

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

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During the course of fiscal year 2009, the School District amended its general fund budget several times; however this amendment was not significant. Budget revisions are presented to the Board of Education for approval. For the general fund, the final budget basis revenue was \$7,091,216 representing a modest increase of \$173,996 from the original budget estimate of \$6,917,220. Most of this difference is not related to any one particular item. Actual revenue for the general fund was \$7,111,003, an increase of \$19,787 from the final budget estimate. This increase was not attributed to any single item. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$865,587. As of June 30, 2009, the amount of expenditures plus encumbrances fell short of appropriations by \$75,477 or 1.01% of final appropriations.

For the other non-significant budget amendments, the School District uses a site-based style of budgeting and has in place systems that are designed to tightly control site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$3,426,904 invested in land, construction in progress, buildings and improvements, furniture and equipment and vehicles. Table 6 shows fiscal year 2009 values compared to 2008.

Table 6
 Capital Assets, at Fiscal Year End
 (Net of Depreciation)

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Land	\$ 248,900	\$ 248,900
Construction in progress	66,519	-
Land improvements	139,343	131,320
Buildings and improvements	2,541,451	2,638,021
Furniture and equipment	208,399	235,869
Vehicles	<u>222,292</u>	<u>181,806</u>
Total capital assets	<u>\$ 3,426,904</u>	<u>\$ 3,435,916</u>

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All capital assets, except land and construction in progress, are reported net of depreciation. As one can see, the most significant change in capital assets during the fiscal year occurred in buildings and improvements and vehicles. The additions in vehicles were greater than the year's offsetting depreciation and buildings and improvements current year depreciation was greater than current year additions. Additional information on capital assets can be found in Note 8.

Debt

At June 30, 2009, the School District had retired its energy conservation bonds outstanding of \$78,687. The School District maintains an AAA bond rating. For additional information see Note 9.

School District Outlook

Newbury Local School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. Recent national events and their impact on the Newbury Local School District and the surrounding area are very much under review and analysis.

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio works toward a solution to the State's unconstitutional education funding system. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

As a result of the challenges mentioned above, it is imperative that the School District's management continue to carefully and prudently plan to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David Hoskin, Treasurer at Newbury Local School District, 14775 Auburn Road, Newbury, Ohio 44065 or email at ne_hoskin@lgca.org.

Newbury Local School District

Statement of Net Assets

June 30, 2009

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 1,173,718
Inventory held for resale	1,239
Materials and supplies inventory	23,030
<u>Receivables:</u>	
Accounts	42,672
Intergovernmental	10,073
Taxes	5,170,688
Accrued interest	3,479
Prepaid items	3,391
<u>Capital assets:</u>	
Nondepreciable capital assets, net	315,419
Depreciable capital assets, net	3,111,485
Total capital assets	<u>3,426,904</u>
Total assets	<u>9,855,194</u>
<u>Liabilities:</u>	
Accounts payable	119,803
Accrued wages	504,426
Matured compensated absences payable	5,913
Intergovernmental payable	206,333
Undistributed money	2,050
Deferred revenue	4,410,018
<u>Long-term liabilities:</u>	
Due within one year	47,900
Due in more than one year	410,804
Total liabilities	<u>5,707,247</u>
<u>Net assets:</u>	
Invested in capital assets	3,426,904
<u>Restricted for:</u>	
Capital projects	48,830
Set asides	31,149
Other purposes	56,233
Unrestricted	<u>584,831</u>
Total net assets	<u>\$ 4,147,947</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 3,872,307	\$ 276,407	\$ 71,834	\$ -	\$ (3,524,066)
Special	782,511	31,446	183,482	-	(567,583)
Vocational	70,943	-	-	-	(70,943)
Adult/continuing	1,000	-	7,500	-	6,500
Other	31,238	-	-	-	(31,238)
Support services:					
Pupils	397,842	-	5,628	-	(392,214)
Instructional staff	185,885	-	2,296	-	(183,589)
Board of education	92,553	-	-	-	(92,553)
Administration	574,934	-	42,656	-	(532,278)
Fiscal	767,253	-	-	-	(767,253)
Operation and maintenance of plant	767,312	600	56	-	(766,656)
Pupil transportation	558,932	-	-	9,063	(549,869)
Central	71,553	-	6,000	-	(65,553)
Operation of non-instructional services:					
Food service operations	204,440	86,584	64,246	-	(53,610)
Community services	149,114	14,949	157,736	-	23,571
Extracurricular activities	303,236	98,565	6,782	-	(197,889)
Interest and fiscal charges	3,082	-	-	-	(3,082)
Total governmental activities	<u>\$ 8,344,135</u>	<u>\$ 508,551</u>	<u>\$ 548,216</u>	<u>\$ 9,063</u>	<u>(7,278,305)</u>

General Revenues:

Property taxes levied for:

General purposes	4,265,706
Debt service	82,137
Capital outlay	148,106
Grants and entitlements not restricted to specific programs	2,220,553
Investment earnings	71,162
Miscellaneous	68,688

Total general revenues 6,856,352

Change in net assets (421,953)

Net assets, beginning of year 4,569,900

Net assets, end of year \$ 4,147,947

See accompanying notes to the basic financial statements.

Newbury Local School District

Balance Sheet

Governmental Funds

June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 888,348	\$ 254,221	\$ 1,142,569
Inventory held for resale	-	1,239	1,239
Materials and supplies inventory	22,829	201	23,030
Receivables:			
Accounts	42,672	-	42,672
Intergovernmental	-	10,073	10,073
Accrued interest	3,479	-	3,479
Interfund	142,210	-	142,210
Taxes	5,039,031	131,657	5,170,688
Prepaid items	3,242	149	3,391
Equity in pooled cash and cash equivalents (restricted)	31,149	-	31,149
Total assets	<u>\$ 6,172,960</u>	<u>\$ 397,540</u>	<u>\$ 6,570,500</u>
<u>Liabilities and fund balances:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 51,700	\$ 68,103	\$ 119,803
Accrued wages	480,331	24,095	504,426
Matured compensated absences payable	5,913	-	5,913
Interfund payable	-	142,210	142,210
Intergovernmental payable	185,310	21,023	206,333
Deferred revenue	4,474,177	114,617	4,588,794
Undistributed monies	2,050	-	2,050
Total liabilities	<u>5,199,481</u>	<u>370,048</u>	<u>5,569,529</u>
<u>Fund balances:</u>			
Reserved for encumbrances	36,043	131,765	167,808
Reserved for property taxes	596,300	17,700	614,000
Reserved for budget stabilization	31,149	-	31,149
Unreserved,			
Undesignated, reported in:			
General fund	309,987	-	309,987
Special revenue funds	-	(28,681)	(28,681)
Capital projects funds	-	(93,292)	(93,292)
Total fund balances	<u>973,479</u>	<u>27,492</u>	<u>1,000,971</u>
Total liabilities and fund balances	<u>\$ 6,172,960</u>	<u>\$ 397,540</u>	<u>\$ 6,570,500</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

June 30, 2009

Total governmental fund balances		\$	1,000,971
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
			3,426,904
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property taxes	\$	146,670	
Intergovernmental		660	
Charges for services		31,446	
			178,776
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:			
Compensated absences			(458,704)
Net assets of governmental activities		\$	<u>4,147,947</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Revenues, Expenditures

and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property taxes	\$ 4,421,767	\$ 208,979	\$ 4,630,746
Intergovernmental	2,266,688	521,106	2,787,794
Interest	71,162	165	71,327
Tuition and fees	236,846	29,162	266,008
Extracurricular activities	35,131	56,905	92,036
Gifts and donations	-	14,282	14,282
Charges for services	25,349	87,584	112,933
Rent	600	-	600
Miscellaneous	68,688	5,531	74,219
Total revenues	<u>7,126,231</u>	<u>923,714</u>	<u>8,049,945</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,689,352	69,000	3,758,352
Special	588,998	190,306	779,304
Vocational	70,720	-	70,720
Adult/continuing	-	1,000	1,000
Other	25,087	-	25,087
Support services:			
Pupils	375,833	21,161	396,994
Instructional staff	182,720	2,024	184,744
Board of education	92,553	-	92,553
Administration	537,116	42,325	579,441
Fiscal	276,093	2,660	278,753
Operation and maintenance of plant	729,947	10,307	740,254
Pupil transportation	510,943	-	510,943
Central	65,385	6,000	71,385
Operation of non-instructional services:			
Food service operations	-	205,228	205,228
Community services	266	146,439	146,705
Extracurricular activities	228,140	70,443	298,583
Capital outlay	74,487	117,860	192,347
Debt service:			
Principal retirement	-	78,687	78,687
Interest and fiscal charges	-	3,459	3,459
Total expenditures	<u>7,447,640</u>	<u>966,899</u>	<u>8,414,539</u>
Excess of revenues over (under) expenditures	<u>(321,409)</u>	<u>(43,185)</u>	<u>(364,594)</u>
<u>Other financing sources (uses):</u>			
Transfers in	48	74,130	74,178
Transfers out	(74,130)	(48)	(74,178)
Total other financing sources (uses)	<u>(74,082)</u>	<u>74,082</u>	<u>-</u>
Net change in fund balances	(395,491)	30,897	(364,594)
Fund balances at beginning of year	1,368,970	(3,405)	1,365,565
Fund balances at end of year	<u>\$ 973,479</u>	<u>\$ 27,492</u>	<u>\$ 1,000,971</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (364,594)

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 capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 192,347	
Capital asset disposals	(92)	
Depreciation expense	(201,267)	
Excess of capital outlay over depreciation expense		(9,012)

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

Property taxes	\$ (158,916)	
Intergovernmental	(293)	
Charges for services	31,446	
Net change in deferred revenues during the year		(127,763)

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

78,687

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

Decrease in compensated absences	\$ 352	
Decrease in accrued interest	377	
Total additional expenditures		729

Change in net assets of governmental activities

\$ (421,953)

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 4,360,710	\$ 4,393,657	\$ 4,417,453	\$ 23,796
Intergovernmental	2,236,423	2,266,354	2,266,688	334
Interest	40,000	60,000	72,322	12,322
Tuition and fees	203,066	237,016	236,846	(170)
Rent		600	600	-
Extracurricular activities	40,621	34,881	35,131	250
Charges for services	10,400	40,400	25,349	(15,051)
Miscellaneous	26,000	58,308	56,614	(1,694)
Total revenues	6,917,220	7,091,216	7,111,003	19,787
Expenditures:				
Current:				
Instruction:				
Regular	3,714,064	3,618,965	3,619,347	(382)
Special	454,062	586,126	581,095	5,031
Vocational	70,885	70,680	70,468	212
Student intervention services	3,957	23,247	20,869	2,378
Support services:				
Pupils	370,680	388,845	383,944	4,901
Instructional staff	175,397	182,606	182,561	45
Board of education	132,545	96,831	89,982	6,849
Administration	571,597	553,690	536,360	17,330
Fiscal	310,923	278,295	276,928	1,367
Operation and maintenance of plant	791,545	751,297	745,304	5,993
Pupil transportation	640,848	635,844	611,024	24,820
Central	64,222	69,872	63,704	6,168
Operation of non-instructional services				
Community services	500	500	266	234
Extracurricular activities	229,394	230,296	229,765	531
Total expenditures	7,530,619	7,487,094	7,411,617	75,477
Excess of revenues over (under) expenditures	(613,399)	(395,878)	(300,614)	95,264
Other financing sources (uses):				
Proceeds from sale of capital assets	-	2,500	2,500	-
Refund of prior year expenditures	10,000	12,483	11,890	(593)
Advances in	-	5,712	5,711	(1)
Advances out	(20,000)	(95,256)	(95,256)	-
Transfers in	-	-	48	48
Transfers out	(16,138)	(141,130)	(141,130)	-
Total other financing sources (uses)	(26,138)	(215,691)	(216,237)	(546)
Net change in fund balance	(639,537)	(611,569)	(516,851)	94,718
Fund balance at beginning of year	1,336,436	1,336,436	1,336,436	-
Prior year encumbrances appropriated	46,002	46,002	46,002	-
Fund balance at end of year	\$ 742,901	\$ 770,869	\$ 865,587	\$ 94,718

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Assets and Liabilities

Agency Funds

June 30, 2009

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	<u>\$ 17,684</u>
<u>Liabilities:</u>	
Accounts payable	\$ 81
Undistributed monies	3,160
Due to students	<u>14,443</u>
Total liabilities	<u>\$ 17,684</u>

See accompanying notes to the basic financial statements.

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Note 1 – Summary of Significant Accounting Policies and Description of Reporting Entity

A. Description of the School District

Newbury Local School District (the School District) operates under a locally-elected Board form of government and provides educational services authorized by State and federal agencies. This Board controls the School District's two instructional/support facilities staffed by 43 non-certified employees, 57 certificated full time teaching personnel including 4 administrative employees to provide services to 651 students and other community members.

The School District was established in 1815 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 25 square miles. It is located in Geauga County, including all of Newbury Township, Ohio. It currently operates one intermediate instructional building (grades 4, 5, and 6) and one administrative/instructional building (board offices and all other grades).

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

B. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The financial statements of the reporting entity include only those of the School District (the primary government). The School District has no component units.

The School District participates in four jointly governed organizations and an insurance purchasing pool. These organizations are the Auburn Career Center, the Lake Geauga Computer Association, the Newbury Joint Recreation Council, the Ohio Schools' Council and the Ohio School Plan. These organizations are discussed in Notes 14 and 15 to the basic financial statements.

C. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of interfund activity, within governmental type activities columns has been removed from these statements.

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

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

D. Fund Accounting

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

Newbury Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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

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

The other governmental funds of the School District account for repayment of general long-term debt principal and interest and for grants and other resources whose use is restricted to a particular purpose.

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

E. Measurement Focus

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

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

F. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 4). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

G. Cash and Cash Equivalents

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

During fiscal year 2009, the School District's investments were limited to STAROhio, the State Treasurer's Investment Pool, certificates of deposit, and notes of government-sponsored enterprises.

Investments are reported at fair value, which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund are amounts required by State statute to be set aside to create a reserve for budget stabilization. The set aside amounts for budget stabilization is now optional as determined by the School District. See Note 17 for additional information regarding set-asides.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

J. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

K. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life, are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	10 - 99 years
Furniture and Equipment	5-10 years
Vehicles	10 years

L. Interfund Balances

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

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

N. Accrued Liabilities and Long-term Obligations

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

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

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Fund Balance Reserves

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

The reserve for budget stabilization represents money set-aside to protect against cyclical changes in revenues and expenditures. The reserve for property taxes represents taxes recognized as a revenue under generally accepted accounting principals but not available for appropriation under state statute.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include food service operations and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2009 net assets restricted were \$136,212 in the statement of net assets none of which were by enabling legislation.

R. Estimates

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

S. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The School District Treasurer has been given the authority to allocate and maintain appropriations within each department. With this authority, the Treasurer can transfer appropriations within each fund during the year as necessary.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 2 - Budgetary Basis of Accounting

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

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$ (395,491)
Net adjustment for revenue accruals	(838)
Advance in	5,711
Net adjustment for expenditure accruals	21,745
Advance out	(95,256)
Adjustment for encumbrances	<u>(52,722)</u>
Budget Basis	<u>\$ (516,851)</u>

Note 3 - Deposits and Investments

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above 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 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 division (1) or (2) of this section 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 (STAROhio);
7. Certain banker's acceptance and commercial paper notes, if training requirements have been met, for a period not to exceed one hundred and eighty days 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 rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal and 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 School 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.

Undeposited Cash At fiscal year-end, the School District had \$50 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

Newbury Local School District
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Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government.

These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$390,157. The School District's bank balance of \$582,496 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the School District's name	\$ 47,000
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Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
STAROhio	\$ 7	58.1 ⁽²⁾	AAAm ⁽¹⁾
Federal National Mortgage Assn.	300,093	1/23/2014	AAA ⁽¹⁾
Federal Farm Credit Bank	<u>501,095</u>	6/23/2014	AAA ⁽¹⁾
	<u>\$ 801,195</u>		

⁽¹⁾ Standard and Poor's rating.

⁽²⁾ Days (Average)

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$71,162 which includes \$6,650 assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The investments in Federal National Mortgage Association (FNMA) and Federal Farm Credit Bank (FFCB) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAROhio an AAAM rating and FNMA and FFCB an AAA rating. The School District's investment policy requires certain credit ratings for some investments as explained above.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. 100% of the School District's investments are in FNMA and FFCB with 37.46% and 62.54%, respectively. The School District's policy places no limit on the amount that may be invested in any one issuer.

Note 4 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property tax received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Tangible personal property tax received during calendar year 2009 (other than public utility property) represents collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2009 was reduced to zero. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Geauga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half property tax payments collected by the County by June 30, 2009, are intended to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009 was \$596,300 in the general fund and \$17,700 in the permanent improvement capital projects fund.

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

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

	2008 <u>Assessed Value</u>	2007 <u>Assessed Value</u>
Real Property		
Residential and Agricultural	\$ 154,064,490	\$ 152,291,190
Commercial and Industrial	21,008,320	20,656,620
Tangible Personal Property		
General	-	2,712,065
Public Utilities	<u>3,593,790</u>	<u>3,393,080</u>
Total	<u>\$ 178,666,600</u>	<u>\$ 179,052,955</u>
Tax rate per \$1,000 of of assessed valuation	\$ 59.29	\$ 59.29

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 5 - Receivables

Receivables at June 30, 2009, consisted of taxes, accounts (tuition and excess costs), accrued interest, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

Intergovernmental receivables at June 30, 2009, are presented below:

<u>Governmental Activities</u>	<u>Amount</u>
Food Service	\$ 7,589
Title I	571
Drug Free Schools	1,669
Improving Teacher Quality	35
Miscellaneous Federal	<u>209</u>
Total intergovernmental receivable	<u>\$ 10,073</u>

Note 6 - Interfund Balances

Interfund balances at June 30, 2009 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	\$ 142,210

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2009, all interfund loans outstanding are anticipated to be repaid in fiscal year 2010.

Note 7 - Interfund Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfers from general fund to:	
Nonmajor governmental funds	\$ 74,130
Transfers to general fund from:	
Nonmajor governmental funds	\$ 48

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended June 30, 2009 the School District made a one-time transfer for the residual equity of \$48 from the debt service fund to the general fund following the final debt service payment.

Note 8 - Capital Assets

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

<u>Governmental Activities</u>	<u>Balance June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 248,900	\$ -	\$ -	\$ 248,900
Construction in progress	-	66,519	-	66,519
Total capital assets, not being depreciated	<u>248,900</u>	<u>66,519</u>	<u>-</u>	<u>315,419</u>
Capital assets, being depreciated:				
Land improvements	142,733	12,397	-	155,130
Buildings	5,611,069	8,453	-	5,619,522
Furniture and equipment	1,081,721	18,491	(25,865)	1,074,347
Vehicles	791,869	86,487	(109,524)	768,832
Total capital assets, being depreciated	<u>7,627,392</u>	<u>125,828</u>	<u>(135,389)</u>	<u>7,617,831</u>
Less: Accumulated depreciation				
Land improvements	(11,413)	(4,374)	-	(15,787)
Buildings	(2,973,048)	(105,023)	-	(3,078,071)
Furniture and equipment	(845,852)	(45,869)	25,773	(865,948)
Vehicles	(610,063)	(46,001)	109,524	(546,540)
Total accumulated depreciation	<u>(4,440,376)</u>	<u>(201,267)</u>	<u>135,297</u>	<u>(4,506,346)</u>
Total capital assets being depreciated, net	<u>3,187,016</u>	<u>(75,439)</u>	<u>(92)</u>	<u>3,111,485</u>
Governmental activities capital assets, net	<u>\$ 3,435,916</u>	<u>\$ (8,920)</u>	<u>\$ (92)</u>	<u>\$ 3,426,904</u>

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 110,737
Special	1,227
Support services:	
Pupil	928
Instructional staff	1,025
Administration	1,543
Fiscal	438
Operation and maintenance of plant	27,587
Pupil transportation	48,020
Operation of non-instructional services:	
Food service operations	3,148
Community services	1,899
Extracurricular activities	<u>4,715</u>
Total depreciation expense	<u>\$ 201,267</u>

Note 9 - Long Term Obligations

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Energy Conservation Bonds, 5.748%, Due December, 2009	\$ 78,687	\$ -	\$ 78,687	\$ -	\$ -
Compensated absences	<u>459,056</u>	<u>22,019</u>	<u>22,371</u>	<u>458,704</u>	<u>47,900</u>
Total Long-term Liabilities	<u>\$ 537,743</u>	<u>\$ 22,019</u>	<u>\$ 101,058</u>	<u>\$ 458,704</u>	<u>\$ 47,900</u>

On July 1, 1999, the School District issued \$620,759 of House Bill 264 Energy Conservation Improvement Bonds at a rate of 5.748% for 10 years for various improvements in the School District. All bonds were paid from property taxes.

The compensated absences will be paid from the general, auxiliary services, disadvantaged pupil impact aid, Title VI-B, Title I, and food service funds.

The School District's overall legal debt margin was \$16,079,994 with an unvoted debt margin of \$178,667 at June 30, 2009.

As of June 30, 2009 all of the energy conservation bonds have been repaid.

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties through the Ohio School Plan, a public entity insurance purchasing pool.

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

B. Workers' Compensation

The School District is a member of the OSBA Workers' Compensation Group Rating Program (Program) established in April 1991. The program was created by the Ohio School Boards Association as a result of the Worker's Compensation group rating plan as defined in Section 4123.29 of the Ohio Revised Code. The group rating program allows school district to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers. Although, the School District's rate is provided by the Program, they are insured by the State's Workers' Compensation Program and remit their premiums to the State of Ohio.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service and hours worked. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Classified employees and administrators who earn vacation are paid for accumulated unused vacation time upon termination of employment. 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 the number of annual work days per contract. Upon retirement, payment is made for 50% of the total sick leave accumulated up to a maximum of 75 days.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through OSC Life Insurance Group through Ohio Schools' Council. The School District has contracted with Anthem BCBS-OH and Guardian to provide employee medical/surgical and dental benefits, respectively. These premiums cover medical/surgical and major medical portion of the insurance. The School Districts coverage per month is as follows:

Employees hire date prior to July 1, 2003 - 90% Board paid

<u>Coverage</u>		<u>Family</u>	<u>Single</u>
Medical - July 1 through August 31, 2008	Anthem	\$ 956.96	\$ 382.83
Medical - September 1 through October 31, 2008	Anthem	1,093.64	436.43
Dental - July 1 through October 31, 2008	Guardian	122.53	40.86

Employees hire date after July 1, 2003 - 90% Board paid

<u>Coverage</u>		<u>Family</u>	<u>Single</u>
Medical - July 1 through August 31, 2008	Anthem	897.08	358.86
Medical - September 1 through October 31, 2008	Anthem	1,022.68	409.10
Dental - July 1 through October 31, 2008	Guardian	82.31	27.45

All employees after November 1, 2008 - 88% Board paid

<u>Coverage</u>		<u>Family</u>	<u>Single</u>
Medical - November 1 through June 30, 2009	Anthem	780.11	312.07
Dental - November 1 through June 30, 2009	Guardian	118.61	39.56

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$113,069, \$102,320 and \$115,655 respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

Newbury Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$432,343, \$447,779, and \$439,667 respectively; 83.5 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$10,074 made by the School District and \$18,662 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 % of wages paid. The remaining Board members contribute to SERS.

Note 13: Post-Employment Benefits

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$67,181, \$62,609, and \$43,604 respectively; 54.66 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$9,329, \$7,372, and \$7,147 respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$33,257, \$34,445, and \$33,821 respectively; 83,5 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 14 - Jointly Governed Organizations

Auburn Career Center The Auburn Career Center is a joint vocational school district which is a jointly governed organization among eleven School Districts. Each participating school district appoints one member to the Auburn Career Center’s Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant’s control over the operation of Auburn Career Center is not dependent on the School District’s continued participation. Financial information can be obtained from 8140 Auburn Road, Painesville, Ohio 44077.

Lake Geauga Computer Association The Lake Geauga Computer Association (the “LGCA”) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 18 member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA’s continued existence is not dependent on Newbury Local School District’s continued participation. The School District made payments totaling \$21,904 to the Lake Geauga Computer Association during fiscal year 2009. To obtain financial information, write to Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

Newbury Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Newbury Joint Recreation Council The Newbury Joint Recreation Council (the “Council”) is a jointly governed organization. The School District appoints three members of the seven-member board. The purpose of the Council is to further athletic and recreational opportunities. The School District has made financial contributions to the Council in prior years, but not during fiscal year ended June 30, 2009. The School District’s degree of control is limited to its representation on the board. The Council’s continued existence is not dependent on the School District’s continued participation. To obtain financial information, write to Newbury Joint Recreation Board, Newbury Town Hall, Newbury, Ohio 44065.

Ohio Schools’ Council The Ohio Schools’ Council (OSC) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member’s superintendent serves as a representative of the Assembly. The Assembly elects five of the Council’s Board members and the remaining four are representatives of the Greater Cleveland School Superintendents’ Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly from September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2009, the School District paid \$350 to the Council for membership, \$400 for membership in the Cooperative Purchasing Program and \$179 for membership in the Lake Erie Media Consortium and \$325 for the Bus Purchasing Program. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA was selected as the new natural gas supplier and program manager. The new program runs from October 1, 2008 to September 30, 2010. There are currently 144 participants in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council’s electric purchase program. The Council provided 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at the reduced rates. Each month, the Council invoices participants based on estimated payments which are compared to their usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced. With the end of the program on December 31, 2008, the School District purchased its electricity from the local area utility, Cleveland Electric Illuminating. In late October 2009, the School District joined a new Ohio Schools Council consortium electricity purchasing program which provides for additional discounts above what the School District would receive otherwise.

Note 15 - Insurance Purchasing Pool

Ohio School Plan The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 16 - Contingencies

A. Grants

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

The School District is not party to any legal proceedings.

Note 17 - Set asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2009, only the unspent portion of certain workers' compensation refunds continues to be set aside.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisition and budget stabilization. Disclosure of this information is required by the State statute.

	Textbook Instructional Materials <u>Reserve</u>	Capital Improvements <u>Reserve</u>	Budget Stabilization <u>Reserve</u>
Set-aside reserve balance as of June 30, 2008	\$ (478,684)	\$ -	\$ 31,149
Current year set-aside requirement	114,945	114,945	-
Qualified disbursements	<u>(91,662)</u>	<u>(303,031)</u>	<u>-</u>
Total	<u>\$ (455,401)</u>	<u>\$ (188,086)</u>	<u>\$ 31,149</u>
Set-aside reserve balance carried forward to future fiscal years	<u>\$ (455,401)</u>	<u>\$ -</u>	<u>\$ 31,149</u>
Set-aside reserve balance as of June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,149</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. These negative balances are therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$31,149.

Note 18 – Accountability

As of June 30, 2009, four funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

<u>Fund</u>	<u>Amount</u>
Special revenue funds:	
Food service	\$ 61,187
EMIS	1,469
Title VI-B	1,351
Title I	12,749

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Newbury Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2008
Unaudited

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

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$196,659, which represents a 4.1% decrease from 2007. Further analysis of this decrease may be found on page 51.
- Revenues for governmental activities totaled \$8,140,686 in 2008. Of this total, \$7,087,282 or 87.06% consisted of general revenues while program revenues accounted for the balance of \$1,053,404 or 12.9%.
- The School District had \$8,337,345 in expenses related to governmental activities; only \$1,053,404 of these expenses was offset by program specific charges for services, operating grants or contributions, and capital grants and contributions. General revenues (primarily taxes and school foundation) of \$7,087,282 helped to provide but were not adequate for these programs.
- Program expenses totaled \$8,337,345. Instructional expenses made up \$4,588,306 or 55% of this total while support services accounted for \$3,038,688 or 36.5%. Other expenses, \$710,351 rounded out the remaining 8.5%.
- Unrestricted net assets carried a balance of \$1,095,197, a decrease of \$247,997 from the prior year's balance of \$1,343,194. This component of net assets is primarily related to the activity of the general fund.
- Total assets of governmental activities decreased \$432,184, which represents a 4.2% decrease from 2007.

Using this Annual Financial Report

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

Newbury Local School District
Management's Discussion and Analysis
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The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Newbury Local School District, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

The analysis of the School District as a whole begins on page 51. While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?". The *Statement of Net Assets* and the *Statement of Activities* assist in answering these questions. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the readers that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, the School Districts' activities are considered to be all governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 56. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

Newbury Local School District
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Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal 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 statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

Table 1
 Net Assets
 Governmental Activities

	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 6,394,115	\$ 6,821,008
Capital assets, net of depreciation	<u>3,435,916</u>	<u>3,441,207</u>
Total assets	<u>9,830,031</u>	<u>10,262,215</u>
Liabilities		
Other liabilities	4,722,388	4,947,525
Long-term liabilities:		
Due within one year	133,169	128,270
Due in more than one year	<u>404,574</u>	<u>419,861</u>
Total liabilities	<u>5,260,131</u>	<u>5,495,656</u>
Net Assets		
Invested in capital assets, net of debt	3,357,229	3,288,167
Restricted for:		
Capital projects	28,486	71,071
Debt service	1,063	433
Set asides	31,149	31,149
Other purposes	56,776	32,545
Unrestricted	<u>1,095,197</u>	<u>1,343,194</u>
Total net assets	<u>\$ 4,569,900</u>	<u>\$ 4,766,559</u>

Newbury Local School District
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Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the School District's assets exceeded liabilities by \$4,569,900.

Capital assets, net of related debt reported on the government-wide statements represents a large component of net assets. Capital assets include land and land improvements, buildings and improvements, furniture and equipment, and vehicles, which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$117,474, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$28,486 is restricted for capital projects, \$1,063 is restricted for debt service payments, \$56,776 is restricted for other purposes and \$31,149 is restricted for set asides. Restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for resources restricted for the operation of the School District's recreation center.

The vast majority of revenues supporting governmental activities were general revenues. General revenue totaled \$7,087,282 or 87.06% of total revenue. The most significant portion of the general revenue is property taxes which is 59.8% of total revenue and intergovernmental grants and entitlements revenue (consisting of state foundation, homestead and rollback, and personal property tax exemption) which is 25.7% of total revenue. Investment earnings and miscellaneous revenue account for 1.5% of total revenue. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,053,404 or only 12.9% of total revenue.

Newbury Local School District
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Table 2 shows the changes in net assets for fiscal years 2008 and 2007.

Table 2
 Governmental Activities

	<u>2008</u>	<u>2007</u>
Program Revenues		
Charges for services	\$ 468,379	\$ 489,397
Operating grants and contributions	580,228	630,344
Capital grants and contributions	4,797	7,672
Total program revenues	<u>1,053,404</u>	<u>1,127,413</u>
General Revenues		
Property taxes	4,871,718	5,029,524
Grants and entitlements	2,091,316	1,964,652
Investment earnings	91,359	106,006
Miscellaneous	32,889	69,228
Total general revenues	<u>7,087,282</u>	<u>7,169,410</u>
Total revenues	<u>8,140,686</u>	<u>8,296,823</u>
Program Expenses		
Instruction:		
Regular	3,791,107	3,483,865
Special	728,519	626,379
Vocational	68,680	55,159
Other	-	13,935
Support services:		
Pupils	427,449	425,600
Instructional staff	174,524	198,376
Board of education	97,681	75,389
Administration	584,006	586,479
Fiscal	307,640	275,834
Operation and maintenance of plant	741,097	718,989
Pupil transportation	621,547	583,306
Central	84,744	101,076
Operation non-instructional services	380,355	356,909
Extracurricular activities	322,479	315,859
Interest and fiscal charges	7,517	12,888
<i>Total Program Expenses</i>	<u>8,337,345</u>	<u>7,830,043</u>
Change in net assets	(196,659)	466,780
Net assets beginning of year	<u>4,766,559</u>	<u>4,299,779</u>
<i>Net Assets End of Year</i>	<u>\$ 4,569,900</u>	<u>\$ 4,766,559</u>

Newbury Local School District
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Expenses increased \$507,302 or 6.5% in 2008 as compared to 2007. This was mainly due to a net increase of \$408,968 in expenses related to instruction. This increase was primarily due to increased costs associated with instruction materials. During the same period, revenues decreased by \$156,137 or 1.9%. This decrease was not due to any one item.

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 59.8% of revenues for governmental activities for the School District in fiscal year 2008. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

Instruction comprises 55% of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 36.5%. The remaining 8.5% of program expenses is used for other obligations of the School District such as operation of non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and operating and capital grants and contributions offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Newbury Local School District
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Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2008</u>	Net Cost of Services <u>2007</u>
Program Expenses				
Instruction:				
Regular	\$ 3,791,107	\$ 3,483,865	\$ (3,311,785)	\$ (3,159,512)
Special	728,519	626,379	(613,803)	(398,826)
Vocational	68,680	55,159	(68,680)	(55,159)
Other	-	13,935	-	-
Support services:				
Pupils	427,449	425,600	(419,282)	(411,055)
Instructional staff	174,524	198,376	(171,952)	(197,847)
Board of education	97,681	75,389	(97,681)	(75,389)
Administration	584,006	586,479	(578,065)	(547,093)
Fiscal	307,640	275,834	(307,640)	(275,834)
Operation and maintenance of plant	741,097	718,989	(740,498)	(718,443)
Pupil transportation	621,547	583,306	(616,750)	(575,634)
Central	84,744	101,076	(78,525)	(95,076)
Operation non-instructional services:				
Food service operations	204,671	186,640	(42,717)	(25,052)
Community services	175,684	170,269	(30,801)	47,630
Extracurricular activities	322,479	315,859	(198,245)	(202,452)
Interest and fiscal charges	<u>7,517</u>	<u>12,888</u>	<u>(7,517)</u>	<u>(12,888)</u>
Total	<u>\$ 8,337,345</u>	<u>\$ 7,830,043</u>	<u>\$ (7,283,941)</u>	<u>\$ (6,702,630)</u>

The dependence upon tax revenues for governmental activities is apparent. The net cost of the programs of \$7,283,941 was supported by mostly by property taxes. Program revenues totaled \$1,053,404 accounting for 12.6% of all governmental expenses. Program revenues include charges for services, operating and capital grants and contributions that are program specific. The community, as a whole, is the primary support for Newbury Local School District students.

Newbury Local School District
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The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$8,096,956 and total expenditures and other financing uses were \$8,369,218. The total governmental funds balance decreased by \$272,262, the School District continues to be financially stable with a total governmental fund balance of \$1,365,565 at year-end. Table 4 shows fiscal year 2008 fund balances compared to fiscal year 2007.

Table 4
Fund Balances

	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General	\$ 1,368,970	\$ 1,525,775	\$ (156,805)	(10.28)
Other governmental	<u>(3,405)</u>	<u>112,052</u>	<u>(115,457)</u>	<u>(103.04)</u>
Total	<u>\$ 1,365,565</u>	<u>\$ 1,637,827</u>	<u>\$ (272,262)</u>	<u>(16.62)</u>

General Fund

The net change in fund balance for the fiscal year was most significant in the general fund reporting a fund balance of \$1,368,970, a decrease of \$156,805 from 2007. This decrease was primarily attributable to a \$206,097 decline in property tax revenue. Expenditures in the general fund also increased by \$208,598 primarily related instruction.

Newbury Local School District
Management's Discussion and Analysis
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Table 5
 General Fund Changes in Revenues and Expenditures

	<u>2008</u> Amount	<u>2007</u> Amount	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
<u>Revenues:</u>				
Property taxes	\$ 4,562,500	\$ 4,768,597	\$ (206,097)	(4.32)
Intergovernmental	2,075,072	1,953,963	121,109	6.20
Interest	90,738	103,662	(12,924)	(12.47)
Tuition and fees	198,689	220,048	(21,359)	(9.71)
Extracurricular activities	40,193	24,356	15,837	65.02
Charges for services	10,425	10,455	(30)	(0.29)
Miscellaneous	<u>51,736</u>	<u>50,379</u>	<u>1,357</u>	2.69
Total revenues	<u>7,029,353</u>	<u>7,131,460</u>	<u>(102,107)</u>	
<u>Expenditures:</u>				
<u>Current:</u>				
<u>Instruction:</u>				
Regular	3,557,429	3,281,518	275,911	8.41
Special	441,225	410,134	31,091	7.58
Vocational	68,134	52,954	15,180	28.67
<u>Support services:</u>				
Pupils	408,021	385,064	22,957	5.96
Instructional staff	167,057	194,387	(27,330)	(14.06)
Board of education	97,681	75,389	22,292	29.57
Administration	537,016	542,276	(5,260)	(0.97)
Fiscal	304,101	277,703	26,398	9.51
Operation and maintenance of plant	681,712	626,918	54,794	8.74
Pupil transportation	565,328	520,936	44,392	8.52
Central	70,504	95,076	(24,572)	(25.84)
<u>Operation of non-instructional services:</u>				
Community service	285	-	285	n/a
Extracurricular	231,870	221,042	10,828	4.90
Capital outlay	29,375	266,525	(237,150)	(88.98)
<u>Debt service:</u>				
Interest and fiscal charges	<u>-</u>	<u>1,218</u>	<u>(1,218)</u>	(100.00)
Total expenditures	<u>\$ 7,159,738</u>	<u>\$ 6,951,140</u>	<u>\$ 208,598</u>	

Newbury Local School District
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General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the School District amended its general fund budget several times; however this amendment was not significant. Budget revisions are presented to the Board of Education for approval. For the general fund, the final budget basis revenue was \$7,168,656 representing a modest increase of \$297,706 from the original budget estimate of \$6,870,950. Most of this difference is due to an increase in property tax. Actual revenue for the general fund was \$7,173,351, an increase of \$4,695 from the final budget estimate. This increase was not attributed to any single item. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$1,336,436. As of June 30, 2008, the amount of expenditures plus encumbrances fell short of appropriations by \$94,893 or 1.3% of final appropriations.

For the other non-significant budget amendments, the School District uses a site-based style of budgeting and has in place systems that are designed to tightly control site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$3,435,916 invested in land, buildings and improvements, furniture and equipment and vehicles. Table 6 shows fiscal year 2008 values compared to 2007.

Table 6
 Capital Assets, at Fiscal Year End
 (Net of Depreciation)

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Land	\$ 248,900	\$ 248,900
Land improvements	131,320	86,897
Buildings and improvements	2,638,021	2,639,416
Furniture and equipment	235,869	235,307
Vehicles	181,806	230,687
Total capital assets	<u>\$ 3,435,916</u>	<u>\$ 3,441,207</u>

Newbury Local School District
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All capital assets, except land, are reported net of depreciation. As one can see, the most significant change in capital assets during the fiscal year occurred in land improvements and vehicles. The additions in land improvements were greater than the year's offsetting depreciation and vehicles current year depreciation was greater than current year additions. Additional information on capital assets can be found in Note 8.

Debt

At June 30, 2008, the School District had \$78,687 in energy conservation bonds outstanding with \$78,687 due within one year. The School District maintains an AAA bond rating. All existing bond obligations are general obligation debt backed by the full faith and credit of the School District and will be retired fully by fiscal year 2009. For additional information see Note 9.

School District Outlook

Newbury Local School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. Recent national events and their impact on the Newbury Local School District and the surrounding area are very much under review and analysis. Economic recession has yet to impact our primary industries, but that could be a seasonal phenomena resulting from our agricultural and housing industry strengths. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its five year forecast.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Thus management must diligently plan expenses from this growth, staying carefully within its five-year forecast.

Newbury Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the court, the State may require the redistribution of commercial and industrial property taxes. With over 50% of the taxes for the School District coming from local businesses and industry, one can see the significant impact this change would have on the School District and ultimately, the residential taxpayers.

As a result of the challenges mentioned above, it is imperative that the School District's management continue to carefully and prudently plan to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David Hoskin, Treasurer at Newbury Local School District, 14775 Auburn Road, Newbury, Ohio 44065 or email at ne_hoskin@lgca.org.

Newbury Local School District

Statement of Net Assets

June 30, 2008

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 1,457,332
Inventory held for resale	2,240
Materials and supplies inventory	29,843
Receivables:	
Accounts	2,316
Intergovernmental	13,637
Taxes	4,876,471
Accrued interest	2,871
Prepaid items	9,405
Capital assets:	
Land	248,900
Depreciable capital assets, net	3,187,016
Total capital assets	<u>3,435,916</u>
Total assets	<u>9,830,031</u>
<u>Liabilities:</u>	
Accounts payable	35,336
Accrued wages	522,823
Intergovernmental payable	201,621
Undistributed money	2,050
Accrued interest payable	377
Deferred revenue	3,960,181
Long-term liabilities:	
Due within one year	133,169
Due in more than one year	404,574
Total liabilities	<u>5,260,131</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	3,357,229
Restricted for:	
Capital projects	28,486
Debt service	1,063
Set asides	31,149
Other purposes	56,776
Unrestricted	<u>1,095,197</u>
Total net assets	<u>\$ 4,569,900</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 3,791,107	\$ 240,079	\$ 239,243	\$ -	\$ (3,311,785)
Special	728,519	-	114,716	-	(613,803)
Vocational	68,680	-	-	-	(68,680)
Support services:					
Pupils	427,449	-	8,167	-	(419,282)
Instructional staff	174,524	-	2,572	-	(171,952)
Board of education	97,681	-	-	-	(97,681)
Administration	584,006	-	5,941	-	(578,065)
Fiscal	307,640	-	-	-	(307,640)
Operation and maintenance of plant	741,097	-	599	-	(740,498)
Pupil transportation	621,547	-	-	4,797	(616,750)
Central	84,744	-	6,219	-	(78,525)
Operation of non-instructional services:					
Food service operations	204,671	104,116	57,838	-	(42,717)
Community services	175,684	-	144,883	-	(30,801)
Extracurricular activities	322,479	124,184	50	-	(198,245)
Interest and fiscal charges	7,517	-	-	-	(7,517)
Total governmental activities	<u>\$ 8,337,345</u>	<u>\$ 468,379</u>	<u>\$ 580,228</u>	<u>\$ 4,797</u>	<u>(7,283,941)</u>

General Revenues:

Property taxes levied for:

General purposes	4,656,649
Debt service	82,180
Capital outlay	132,889
Grants and entitlements not restricted to specific programs	2,091,316
Investment earnings	91,359
Miscellaneous	32,889
Total general revenues	<u>7,087,282</u>
Change in net assets	(196,659)
Net assets, beginning of year	<u>4,766,559</u>
Net assets, end of year	<u>\$ 4,569,900</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Balance Sheet

Governmental Funds

June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 1,354,245	\$ 71,938	\$ 1,426,183
Inventory held for resale	-	2,240	2,240
Materials and supplies inventory	29,443	400	29,843
Receivables:			
Accounts	2,316	-	2,316
Intergovernmental	-	13,637	13,637
Accrued interest	2,871	-	2,871
Interfund	52,665	-	52,665
Taxes	4,659,263	217,208	4,876,471
Prepaid items	9,405	-	9,405
Equity in pooled cash and cash equivalents (restricted)	31,149	-	31,149
Total assets	<u>\$ 6,141,357</u>	<u>\$ 305,423</u>	<u>\$ 6,446,780</u>
<u>Liabilities and fund balances:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 23,258	\$ 12,078	\$ 35,336
Accrued wages	496,452	26,371	522,823
Interfund payable	-	52,665	52,665
Intergovernmental payable	183,350	18,271	201,621
Deferred revenue	4,067,277	199,443	4,266,720
Undistributed monies	2,050	-	2,050
Total liabilities	<u>4,772,387</u>	<u>308,828</u>	<u>5,081,215</u>
<u>Fund balances:</u>			
Reserved for encumbrances	23,603	8,985	32,588
Reserved for property taxes	591,986	18,718	610,704
Reserved for budget stabilization	31,149	-	31,149
Unreserved,			
Undesignated, reported in:			
General fund	722,232	-	722,232
Special revenue funds	-	(33,900)	(33,900)
Debt service fund	-	57	57
Capital projects funds	-	2,735	2,735
Total fund balances	<u>1,368,970</u>	<u>(3,405)</u>	<u>1,365,565</u>
Total liabilities and fund balances	<u>\$ 6,141,357</u>	<u>\$ 305,423</u>	<u>\$ 6,446,780</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

June 30, 2008

Total governmental fund balances		\$	1,365,565
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
			3,435,916
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property taxes	\$	305,586	
Intergovernmental		953	
		<hr/>	306,539
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds	\$	(78,687)	
Compensated absences		(459,056)	
Accrued interest payable		(377)	
Total		<hr/>	<hr/> (538,120)
Net assets of governmental activities		\$	<u><u>4,569,900</u></u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Revenues, Expenditures

and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property taxes	\$ 4,562,500	\$ 213,268	\$ 4,775,768
Intergovernmental	2,075,072	604,896	2,679,968
Interest	90,738	620	91,358
Tuition and fees	198,689	30,996	229,685
Extracurricular activities	40,193	72,136	112,329
Gifts and donations	-	3,325	3,325
Charges for services	10,425	109,110	119,535
Miscellaneous	51,736	6,832	58,568
Total revenues	<u>7,029,353</u>	<u>1,041,183</u>	<u>8,070,536</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,557,429	111,724	3,669,153
Special	441,225	259,755	700,980
Vocational	68,134	-	68,134
Other	-	-	-
Support services:			
Pupils	408,021	21,391	429,412
Instructional staff	167,057	6,144	173,201
Board of education	97,681	-	97,681
Administration	537,016	41,557	578,573
Fiscal	304,101	2,638	306,739
Operation and maintenance of plant	681,712	23,836	705,548
Pupil transportation	565,328	-	565,328
Central	70,504	6,275	76,779
Operation of non-instructional services:			
Food service operations	-	195,108	195,108
Community services	285	166,541	166,826
Extracurricular activities	231,870	91,752	323,622
Capital outlay	29,375	174,113	203,488
Debt service:			
Principal retirement	-	74,353	74,353
Interest and fiscal charges	-	7,873	7,873
Total expenditures	<u>7,159,738</u>	<u>1,183,060</u>	<u>8,342,798</u>
Excess of revenues over (under) expenditures	<u>(130,385)</u>	<u>(141,877)</u>	<u>(272,262)</u>
<u>Other financing sources (uses):</u>			
Transfers in	-	26,420	26,420
Transfers out	(26,420)	-	(26,420)
Total other financing sources (uses)	<u>(26,420)</u>	<u>26,420</u>	<u>-</u>
Net change in fund balances	(156,805)	(115,457)	(272,262)
Fund balances at beginning of year	1,525,775	112,052	1,637,827
Fund balances at end of year	<u>\$ 1,368,970</u>	<u>\$ (3,405)</u>	<u>\$ 1,365,565</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net change in fund balances - total governmental funds \$ (272,262)

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 capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 203,488	
Capital asset disposals	(2,125)	
Depreciation expense	(206,654)	
Excess of capital outlay over depreciation expense		(5,291)

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

Property taxes	\$ 95,950	
Intergovernmental	(6,952)	
Miscellaneous	(18,848)	
Net change in deferred revenues during the year		70,150

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 74,353

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

Increase in compensated absences	\$ (63,965)	
Decrease in accrued interest	356	
Total additional expenditures		(63,609)

Change in net assets of governmental activities \$ (196,659)

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 4,561,085	\$ 4,736,330	\$ 4,736,331	\$ 1
Intergovernmental	1,973,005	2,075,072	2,075,072	-
Interest	100,000	80,650	84,354	3,704
Tuition and fees	181,820	197,699	198,689	990
Extracurricular activities	34,000	40,193	40,193	-
Charges for services	1,040	10,425	10,425	-
Miscellaneous	20,000	28,287	28,287	-
Total revenues	6,870,950	7,168,656	7,173,351	4,695
Expenditures:				
Current:				
Instruction:				
Regular	3,511,510	3,528,916	3,569,641	(40,725)
Special	471,824	471,824	438,597	33,227
Vocational	68,320	68,320	67,861	459
Other	4,716	4,716		4,716
Support services:				
Pupils	425,331	425,331	411,722	13,609
Instructional staff	165,394	173,346	169,930	3,416
Board of education	127,710	123,798	107,338	16,460
Administration	565,403	550,469	537,691	12,778
Fiscal	299,490	311,313	307,473	3,840
Business	1,100	1,100		1,100
Operation and maintenance of plant	708,503	737,786	706,089	31,697
Pupil transportation	554,039	575,779	566,957	8,822
Central	78,562	74,310	73,320	990
Operation of non-instructional services				
Community services	285	285	285	-
Extracurricular activities	231,743	235,136	230,632	4,504
Total expenditures	7,213,930	7,282,429	7,187,536	94,893
Excess of revenues over (under) expenditures	(342,980)	(113,773)	(14,185)	99,588
Other financing sources (uses):				
Refund of prior year expenditures	25,000	50,524	50,524	-
Advances in	40,000	20,478	20,479	1
Advances out	(20,000)	(31,979)	(31,979)	-
Transfers out	(25,000)	(27,420)	(26,420)	1,000
Total other financing sources (uses)	20,000	11,603	12,604	1,001
Net change in fund balance	(322,980)	(102,170)	(1,581)	100,589
Fund balance at beginning of year	1,293,309	1,293,309	1,293,309	-
Prior year encumbrances appropriated	44,708	44,708	44,708	-
Fund balance at end of year	\$ 1,015,037	\$ 1,235,847	\$ 1,336,436	\$ 100,589

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Assets and Liabilities

Agency Funds

June 30, 2008

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 17,013
	<u>17,013</u>
<u>Liabilities:</u>	
Undistributed monies	\$ 4,052
Due to students	12,961
	<u>17,013</u>
Total liabilities	\$ 17,013
	<u>17,013</u>

See accompanying notes to the basic financial statements.

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Note 1 – Summary of Significant Accounting Policies and Description of Reporting Entity

A. Description of the School District

Newbury Local School District (the School District) operates under a locally-elected Board form of government and provides educational services authorized by State and federal agencies. This Board controls the School District's two instructional/support facilities staffed by 38 non-certified employees, 62 certificated full time teaching personnel including 4 administrative employees to provide services to 691 students and other community members.

The School District was established in 1815 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 25 square miles. It is located in Geauga County, including all of Newbury Township, Ohio. It currently operates one intermediate instructional building (grades 4, 5, and 6) and one administrative/instructional building (board offices and all other grades).

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

B. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The financial statements of the reporting entity include only those of the School District (the primary government). The School District has no component units.

The School District participates in four jointly governed organizations and an insurance purchasing pool. These organizations are the Auburn Career Center, the Lake Geauga Computer Association, the Newbury Joint Recreation Council, the Ohio Schools' Council and the Ohio School Plan. These organizations are discussed in Notes 14 and 15 to the basic financial statements.

C. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of interfund activity, within governmental type activities columns has been removed from these statements.

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

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

D. Fund Accounting

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

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

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

The other governmental funds of the School District account for repayment of general long-term debt principal and interest and for grants and other resources whose use is restricted to a particular purpose.

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

E. Measurement Focus

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

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

F. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 4). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

G. Cash and Cash Equivalents

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

During fiscal year 2008, the School District's investments were limited to STAROhio, the State Treasurer's Investment Pool, certificates of deposit, and notes of government-sponsored enterprises.

Investments are reported at fair value, which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund are amounts required by State statute to be set aside to create a reserve for budget stabilization. The set aside amounts for budget stabilization is now optional as determined by the School District. See Note 17 for additional information regarding set-asides.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

J. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

K. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life, are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	10 - 99 years
Furniture and Equipment	5-10 years
Vehicles	10 years

L. Interfund Balances

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

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

N. Accrued Liabilities and Long-term Obligations

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

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

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Fund Balance Reserves

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

The reserve for budget stabilization represents money set-aside to protect against cyclical changes in revenues and expenditures. The reserve for property taxes represents taxes recognized as a revenue under generally accepted accounting principals but not available for appropriation under state statute.

Q. Net Assets

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

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2008 net assets restricted were \$117,474 in the statement of net assets none of which were by enabling legislation.

R. Estimates

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

S. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The School District Treasurer has been given the authority to allocate and maintain appropriations within each department. With this authority, the Treasurer can transfer appropriations within each fund during the year as necessary.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 2 - Budgetary Basis of Accounting

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

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$ (156,805)
Net adjustment for revenue accruals	194,522
Advance in	20,479
Net adjustment for expenditure accruals	18,204
Advance out	(31,979)
Adjustment for encumbrances	<u>(46,002)</u>
Budget Basis	<u>\$ (1,581)</u>

Note 3 - Deposits and Investments

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above 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 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 division (1) or (2) of this section 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 (STAROhio);
7. Certain banker's acceptance and commercial paper notes, if training requirements have been met, for a period not to exceed one hundred and eighty days 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 rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal and 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 School 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.

Undeposited Cash At fiscal year-end, the School District had \$50 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government.

These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$320,886. The School District's bank balance of \$460,990 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the School District's name	\$ 62,849
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Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
STAROhio	\$ 51,594	53.8 ⁽²⁾	AAAm ⁽¹⁾
Federal National Mortgage Assn.	298,407	2/6/2013	AAA ⁽¹⁾
Federal National Mortgage Assn.	99,250	4/1/2013	AAA ⁽¹⁾
Federal Home Loan Mortgage Corp	<u>704,158</u>	6/12/2013	AAA ⁽¹⁾
	<u>\$ 1,153,409</u>		

⁽¹⁾ Standard and Poor's rating.

⁽²⁾ Days (average)

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$90,738 which includes \$2,405 assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The investments in Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAROhio an AAAM rating and FNMA and FHLMC an AAA rating. The School District's investment policy requires certain credit ratings for some investments as explained above.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 95.53% of the School District's investments are in FNMA and FHLMC with 34.48% and 61.05%, respectively. The School District's policy places no limit on the amount that may be invested in any one issuer.

Note 4 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property tax received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Newbury Local School District
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For the Fiscal Year Ended June 30, 2008

Tangible personal property tax received during calendar year 2008 (other than public utility property) represents collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25%. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Geauga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half property tax payments collected by the County by June 30, 2008, are intended to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$591,986 in the general fund and \$18,718 in the permanent improvement capital projects fund.

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

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

	2007	2006
	<u>Assessed Value</u>	<u>Assessed Value</u>
Real Property		
Residential and Agricultural	\$ 152,291,190	\$ 150,587,250
Commercial and Industrial	20,656,620	20,416,940
Tangible Personal Property		
General	2,712,065	3,201,165
Public Utilities	<u>3,393,080</u>	<u>4,919,420</u>
Total	<u>\$ 179,052,955</u>	<u>\$ 179,124,775</u>
Tax rate per \$1,000 of of assessed valuation	\$ 59.29	\$ 59.29

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 5 - Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (tuition and excess costs), accrued interest, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

Intergovernmental receivables at June 30, 2008, are presented below:

<u>Governmental Activities</u>	<u>Amount</u>
Title I	\$ 9,630
Title VI	932
Drug Free Schools	2,174
Improving Teacher Quality	63
Miscellaneous Federal	<u>838</u>
Total intergovernmental receivable	<u>\$ 13,637</u>

Note 6 - Interfund Balances

Interfund balances at June 30, 2008 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	\$ 52,665

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2008, all interfund loans outstanding are anticipated to be repaid in fiscal year 2009.

Note 7 - Interfund Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfers from general fund to:	
Nonmajor governmental funds	\$ 26,420

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 8 - Capital Assets

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

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 248,900	\$ -	\$ -	\$ 248,900
Capital assets, being depreciated:				
Land improvements	94,124	48,609	-	142,733
Buildings	5,508,169	102,900	-	5,611,069
Furniture and equipment	1,123,590	46,512	(88,381)	1,081,721
Vehicles	<u>786,402</u>	<u>5,467</u>	<u>-</u>	<u>791,869</u>
Total capital assets, being depreciated	<u>7,512,285</u>	<u>203,488</u>	<u>(88,381)</u>	<u>7,627,392</u>
Less: Accumulated depreciation				
Land improvements	(7,227)	(4,186)	-	(11,413)
Buildings	(2,868,753)	(104,295)	-	(2,973,048)
Furniture and equipment	(888,283)	(43,825)	86,256	(845,852)
Vehicles	<u>(555,715)</u>	<u>(54,348)</u>	<u>-</u>	<u>(610,063)</u>
Total accumulated depreciation	<u>(4,319,978)</u>	<u>(206,654)</u>	<u>86,256</u>	<u>(4,440,376)</u>
Total capital assets being depreciated, net	<u>3,192,307</u>	<u>(3,166)</u>	<u>(2,125)</u>	<u>3,187,016</u>
Governmental activities capital assets, net	<u>\$ 3,441,207</u>	<u>\$ (3,166)</u>	<u>\$ (2,125)</u>	<u>\$ 3,435,916</u>

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 111,726
Special	1,227
Support services:	
Pupil	902
Instructional staff	1,025
Administration	1,798
Fiscal	674
Operation and maintenance of plant	27,189
Pupil transportation	52,538
Operation of non-instructional services:	
Food service operations	3,418
Community services	1,898
Extracurricular activities	<u>4,259</u>
Total depreciation expense	<u>\$ 206,654</u>

Note 9 - Long Term Obligations

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>	Due Within <u>One Year</u>
Governmental Activities					
Energy Conservation Bonds, 5.748%, Due December, 2009	\$ 153,040	\$ -	\$ 74,353	\$ 78,687	\$ 78,687
Compensated absences	<u>395,091</u>	<u>104,729</u>	<u>40,764</u>	<u>459,056</u>	<u>54,482</u>
Total Long-term Liabilities	<u>\$ 548,131</u>	<u>\$ 104,729</u>	<u>\$ 115,117</u>	<u>\$ 537,743</u>	<u>\$ 133,169</u>

On July 1, 1999, the School District issued \$620,759 of House Bill 264 Energy Conservation Improvement Bonds at a rate of 5.748% for 10 years for various improvements in the School District. All bonds will be paid from property taxes.

The compensated absences will be paid from the general, auxiliary services, disadvantaged pupil impact, Title VI-B, Title I, and food service funds.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District's overall legal debt margin was \$16,036,022 with an unvoted debt margin of \$179,053 at June 30, 2008.

Principal and interest requirements to retire the energy conservation bonds outstanding at June 30, 2008 are as follows:

Fiscal Year				
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2009	78,687	3,459	82,146	

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties through the Ohio School Plan, a public entity insurance purchasing pool.

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

B. Workers' Compensation

The School District is a member of the OSBA Workers' Compensation Group Rating Program (Program) established in April 1991. The program was created by the Ohio School Boards Association as a result of the Worker's Compensation group rating plan as defined in Section 4123.29 of the Ohio Revised Code. The group rating program allows school district to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers. Although, the School District's rate is provided by the Program, they are insured by the State's Workers' Compensation Program and remit their premiums to the State of Ohio.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service and hours worked. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Classified employees and administrators who earn vacation are paid for accumulated unused vacation time upon termination of employment. 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 the number of annual work days per contract. Upon retirement, payment is made for 50% of the total sick leave accumulated up to a maximum of 75 days.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through OSC Life Insurance Group through Ohio Schools' Council. The School District has contracted with Anthem BCBS-OH to provide employee medical/surgical and dental benefits. The School District pays \$956.96 per family for medical coverage and \$382.83 per single for medical coverage per month which represents 90% of the family premium and 90% of the single premium for employees hired before July 1, 2003. The School District pays \$897.08 per family coverage and \$358.86 per single coverage per month which represents 90% of the family premium and 90% of the single premium for employees hired after July 1, 2003. These premiums cover medical/surgical and major medical portion of the insurance. The School District pays \$98.81 per family for dental coverage and \$32.95 per single for dental coverage per month which represents 90% of the family premium and 90% of the single premium for employees hired before July 1, 2003. The School District pays \$66.38 per family for dental coverage and \$22.14 per single for dental coverage per month which represents 90% of the family premium and 90% of the single premium for employees hired after July 1, 2003.

NOTE 12 - Defined Benefit Pension Plans

A. School Employee Retirement System

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

Newbury Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$102,320, \$115,655 and \$107,045 respectively; 50.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

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

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

Newbury Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$447,779, \$439,667, and \$388,247 respectively; 83.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$10,574 made by the School District and \$18,611 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 - Postemployment Benefits

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$15,917.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$62,609, \$43,604, and \$41,304 respectively; 44.88 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$7,372, \$7,147, and \$6,678 respectively; 50.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$34,445, \$33,821, and \$29,865 respectively; 83.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 14 - Jointly Governed Organizations

Auburn Career Center The Auburn Career Center is a joint vocational school district which is a jointly governed organization among eleven School Districts. Each participating school district appoints one member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of Auburn Career Center is not dependent on the School District's continued participation. The School District made payments totaling \$150 to the Auburn Career Center during fiscal year 2008. Financial information can be obtained from 8140 Auburn Road, Painesville, Ohio 44077.

Lake Geauga Computer Association The Lake Geauga Computer Association (the "LGCA") is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 18 member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts.

Newbury Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on Newbury Local School District's continued participation. The School District made payments totaling \$23,122 to the Lake Geauga Computer Association during fiscal year 2008. To obtain financial information, write to Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

Newbury Joint Recreation Council The Newbury Joint Recreation Council (the "Council") is a jointly governed organization. The School District appoints three members of the seven-member board. The purpose of the Council is to further athletic and recreational opportunities. The School District has made financial contributions to the Council in prior years, but not during fiscal year ended June 30, 2008. The School District's degree of control is limited to its representation on the board. The Council's continued existence is not dependent on the School District's continued participation. To obtain financial information, write to Newbury Joint Recreation Board, Newbury Town Hall, Newbury, Ohio 44065.

Ohio Schools' Council The Ohio Schools' Council (OSC) is a jointly governed organization among 121 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly from September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2008, the School District paid \$1,340 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA was selected as the new natural gas supplier and program manager. There are currently 137 participants in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Newbury Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The School District also participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced.

Note 15 - Insurance Purchasing Pool

Ohio School Plan The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 16 - Contingencies

A. Grants

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not party to any legal proceedings.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 17 - Set asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisition and budget stabilization. Disclosure of this information is required by the State statute.

	Textbook Instructional Materials Reserve	Capital Improvements Reserve	Budget Stabilization Reserve
Set-aside reserve balance as of June 30, 2007	\$ (579,932)	\$ -	\$ 31,149
Current year set-aside requirement	120,514	120,514	-
Qualified disbursements	<u>(19,266)</u>	<u>(293,740)</u>	<u>-</u>
Total	<u>\$ (478,684)</u>	<u>\$ (173,226)</u>	<u>\$ 31,149</u>
Set-aside reserve balance carried forward to future fiscal years	<u>\$ (478,684)</u>	<u>\$ -</u>	<u>\$ 31,149</u>
Set-aside reserve balance as of June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,149</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. These negative balances are therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$31,149.

Note 18 – Accountability

As of June 30, 2008, five funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

<u>Fund</u>	<u>Amount</u>
Special revenue funds:	
Food service	\$ 63,094
Auxillary services	7,737
EMIS	1,545
Title VI-B	3,673
Title I	4,689

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Mary Taylor, CPA

Auditor of State

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

Newbury Local School District
Geauga County
14775 Auburn Road
Newbury, Ohio 44065

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Newbury Local School District, Geauga County, (the District) as of and for the years ended June 30, 2009 and June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

April 22, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Newbury Local School District
Lake County
14775 Auburn Road
Newbury, Ohio 44065

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on October 10, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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

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

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



Mary Taylor, CPA
Auditor of State

April 22, 2010



Mary Taylor, CPA
Auditor of State

NEWBURY LOCAL SCHOOL DISTRICT

GEAUGA 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
JUNE 24, 2010**