



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

NEWBURY LOCAL SCHOOL DISTRICT
GEAUGA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Newbury Local School District, Geauga County, Ohio (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Newbury Local School District, Geauga County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

November 17, 2000

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Newbury Local School District
Geauga County
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,569,975	\$52,278	\$62,510	\$59,307
Cash and Cash Equivalents In Segregated Accounts	0	36,582	0	0
Receivables:				
Taxes	3,677,571	0	50,141	74,419
Accounts	507	200	0	0
Intergovernmental	0	14,432	0	0
Accrued Interest	148	0	0	0
Interfund Receivable	14,432	0	0	0
Prepaid Items	54,438	545	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies				
Inventory	20,820	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	55,537	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<i>Total Assets and Other Debits</i>	<u>\$5,393,428</u>	<u>\$104,037</u>	<u>\$112,651</u>	<u>\$133,726</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$15,494	\$10,556	\$0	\$0	\$1,770,120
0	0	0	0	36,582
0	0	0	0	3,802,131
56	0	0	0	763
4,605	0	0	0	19,037
0	0	0	0	148
0	0	0	0	14,432
0	0	0	0	54,983
4,757	0	0	0	4,757
989	0	0	0	21,809
0	0	0	0	55,537
49,590	0	6,307,788	0	6,357,378
0	0	0	61,860	61,860
0	0	0	392,107	392,107
<u>\$75,491</u>	<u>\$10,556</u>	<u>\$6,307,788</u>	<u>\$453,967</u>	<u>\$12,591,644</u>

(continued)

Newbury Local School District
Geauga County
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities, Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$7,132	\$1,399	\$0	\$0
Accrued Wages and Benefits	469,207	10,609	0	0
Compensated Absences Payable	7,022	0	0	0
Interfund Payable	0	14,432	0	0
Intergovernmental Payable	75,966	410	0	0
Deferred Revenue	3,232,571	0	50,141	65,419
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>3,791,898</u>	<u>26,850</u>	<u>50,141</u>	<u>65,419</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	142,548	31,113	0	878
Reserved for Inventory	20,820	0	0	0
Reserved for Property Taxes	445,000	0	0	9,000
Reserved for Budget Stabilization	31,149	0	0	0
Reserved for Bus Purchases	24,388	0	0	0
Reserved for Debt Service:				
Principal	0	0	20,000	0
Interest	0	0	650	0
Unreserved, Undesignated	937,625	46,074	41,860	58,429
<i>Total Fund Equity and Other Credits</i>	<u>1,601,530</u>	<u>77,187</u>	<u>62,510</u>	<u>68,307</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$5,393,428</u>	<u>\$104,037</u>	<u>\$112,651</u>	<u>\$133,726</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$361	\$0	\$0	\$0	\$8,892
9,943	0	0	0	489,759
1,982	0	0	389,559	398,563
0	0	0	0	14,432
2,968	0	0	44,408	123,752
2,433	0	0	0	3,350,564
0	8,433	0	0	8,433
0	0	0	20,000	20,000
<u>17,687</u>	<u>8,433</u>	<u>0</u>	<u>453,967</u>	<u>4,414,395</u>
0	0	6,307,788	0	6,307,788
125,433	0	0	0	125,433
(67,629)	0	0	0	(67,629)
0	0	0	0	174,539
0	0	0	0	20,820
0	0	0	0	454,000
0	0	0	0	31,149
0	0	0	0	24,388
0	0	0	0	20,000
0	0	0	0	650
0	2,123	0	0	1,086,111
<u>57,804</u>	<u>2,123</u>	<u>6,307,788</u>	<u>0</u>	<u>8,177,249</u>
<u>\$75,491</u>	<u>\$10,556</u>	<u>\$6,307,788</u>	<u>\$453,967</u>	<u>\$12,591,644</u>

Newbury Local School District
Geauga County
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

	General	Special Revenue
Revenues		
Taxes	\$3,879,673	\$0
Intergovernmental	1,597,965	255,632
Interest	106,860	1,861
Tuition and Fees	45,874	0
Extracurricular Activities	0	82,306
Charges for Services	2,689	0
Donations	6,674	737
Miscellaneous	22,474	17,275
	<u>5,662,209</u>	<u>357,811</u>
<i>Total Revenues</i>		
Expenditures		
Current:		
Instruction:		
Regular	2,497,458	43,862
Special	329,803	118,876
Vocational	31,399	0
Support Services:		
Pupils	203,657	0
Instructional Staff	164,614	4,011
Board of Education	45,667	0
Administration	491,427	8,768
Fiscal	166,952	0
Operation and Maintenance of Plant	588,920	7,401
Pupil Transportation	382,934	0
Operation of Non-Instructional Services	0	87,583
Extracurricular Activities	194,792	117,259
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	0
Interest and Fiscal Charges	0	0
	<u>5,097,623</u>	<u>387,760</u>
<i>Total Expenditures</i>		
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>564,586</u>	<u>(29,949)</u>
Other Financing Sources (Uses)		
Operating Transfers In	0	23,705
Operating Transfers Out	(23,705)	0
	<u>(23,705)</u>	<u>23,705</u>
<i>Total Other Financing Sources (Uses)</i>		
<i>Excess of Revenues and Other Financing Sources</i> <i>Over (Under) Expenditures and Other Financing Uses</i>	540,881	(6,244)
<i>Fund Balances Beginning of Year</i>	1,052,677	83,431
Increase in Reserve for Inventory	7,972	0
	<u>1,060,649</u>	<u>83,431</u>
<i>Fund Balances End of Year</i>	<u>\$1,601,530</u>	<u>\$77,187</u>

See accompanying notes to the general purpose financial statements

Debt Service	Capital Projects	Totals (Memorandum Only)
\$0	\$78,862	\$3,958,535
0	34,876	1,888,473
0	0	108,721
0	0	45,874
0	0	82,306
0	0	2,689
0	0	7,411
0	0	39,749
<u>0</u>	<u>113,738</u>	<u>6,133,758</u>
0	0	2,541,320
0	0	448,679
0	0	31,399
0	0	203,657
0	0	168,625
0	0	45,667
0	0	500,195
0	0	166,952
0	0	596,321
0	0	382,934
0	0	87,583
0	0	312,051
0	176,014	176,014
20,000	0	20,000
<u>1,950</u>	<u>0</u>	<u>1,950</u>
<u>21,950</u>	<u>176,014</u>	<u>5,683,347</u>
<u>(21,950)</u>	<u>(62,276)</u>	<u>450,411</u>
0	0	23,705
<u>0</u>	<u>0</u>	<u>(23,705)</u>
<u>0</u>	<u>0</u>	<u>0</u>
(21,950)	(62,276)	450,411
84,460	130,583	1,351,151
<u>0</u>	<u>0</u>	<u>7,972</u>
<u>\$62,510</u>	<u>\$68,307</u>	<u>\$1,809,534</u>

Newbury Local School District
Geauga County
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Taxes	\$3,857,173	\$3,857,173	\$0
Intergovernmental	1,599,165	1,599,165	0
Interest	106,665	106,665	0
Tuition and Fees	45,874	45,874	0
Extracurricular Activities	0	0	0
Charges for Services	2,689	2,689	0
Donations	6,674	6,674	0
Miscellaneous	275	22,253	21,978
<i>Total Revenues</i>	<u>5,618,515</u>	<u>5,640,493</u>	<u>21,978</u>
Expenditures			
Current:			
Instruction:			
Regular	2,718,172	2,563,934	154,238
Special	415,379	327,448	87,931
Vocational	43,200	33,541	9,659
Support Services:			
Pupils	246,824	208,034	38,790
Instructional Staff	186,909	166,762	20,147
Board of Education	48,600	45,399	3,201
Administration	545,487	484,001	61,486
Fiscal	177,723	168,957	8,766
Operation and Maintenance of Plant	739,574	605,681	133,893
Pupil Transportation	588,394	497,775	90,619
Operation of Non-Instructional Services	2,000	0	2,000
Extracurricular Activities	209,000	206,135	2,865
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>5,921,262</u>	<u>5,307,667</u>	<u>613,595</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(302,747)</u>	<u>332,826</u>	<u>635,573</u>
Other Financing Sources (Uses)			
Advances In	5,396	5,396	0
Advances Out	(14,432)	(14,432)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(180,150)	(23,705)	156,445
<i>Total Other Financing Sources (Uses)</i>	<u>(189,186)</u>	<u>(32,741)</u>	<u>156,445</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(491,933)</u>	<u>300,085</u>	<u>792,018</u>
<i>Fund Balances Beginning of Year</i>	<u>1,143,826</u>	<u>1,143,826</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>31,828</u>	<u>31,828</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$683,721</u>	<u>\$1,475,739</u>	<u>\$792,018</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
260,661	260,661	0	0	0	0
1,861	1,861	0	0	0	0
0	0	0	0	0	0
53,092	84,672	31,580	0	0	0
0	0	0	0	0	0
737	737	0	0	0	0
58,990	17,275	(41,715)	0	0	0
<u>375,341</u>	<u>365,206</u>	<u>(10,135)</u>	<u>0</u>	<u>0</u>	<u>0</u>
52,982	43,862	9,120	0	0	0
127,228	122,915	4,313	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,471	3,471	0	0	0	0
0	0	0	0	0	0
9,350	8,768	582	0	0	0
0	0	0	200	0	200
8,666	7,401	1,265	0	0	0
0	0	0	0	0	0
94,208	94,208	0	0	0	0
150,188	136,569	13,619	0	0	0
0	0	0	20,000	20,000	0
0	0	0	2,275	1,950	325
<u>446,093</u>	<u>417,194</u>	<u>28,899</u>	<u>22,475</u>	<u>21,950</u>	<u>525</u>
<u>(70,752)</u>	<u>(51,988)</u>	<u>18,764</u>	<u>(22,475)</u>	<u>(21,950)</u>	<u>525</u>
14,432	14,432	0	0	0	0
(5,396)	(5,396)	0	0	0	0
8,705	23,705	15,000	0	0	0
(1,170)	0	1,170	0	0	0
<u>16,571</u>	<u>32,741</u>	<u>16,170</u>	<u>0</u>	<u>0</u>	<u>0</u>
(54,181)	(19,247)	34,934	(22,475)	(21,950)	525
60,687	60,687	0	84,460	84,460	0
14,910	14,910	0	0	0	0
<u>\$21,416</u>	<u>\$56,350</u>	<u>\$34,934</u>	<u>\$61,985</u>	<u>\$62,510</u>	<u>\$525</u>

(continued)

**Newbury Local School District
Geauga County**

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 1999*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$76,562	\$76,562	\$0
Intergovernmental	34,876	34,876	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Charges for Services	0	0	0
Donations	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>111,438</u>	<u>111,438</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	26,338	16,089	10,249
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	1,500	1,139	361
Operation and Maintenance of Plant	175,905	159,663	16,242
Pupil Transportation	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>203,743</u>	<u>176,891</u>	<u>26,852</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(92,305)</u>	<u>(65,453)</u>	<u>26,852</u>
Other Financing Sources (Uses)			
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(92,305)</u>	<u>(65,453)</u>	<u>26,852</u>
<i>Fund Balances Beginning of Year</i>	9,967	9,967	0
Prior Year Encumbrances Appropriated	<u>113,915</u>	<u>113,915</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$31,577</u></u>	<u><u>\$58,429</u></u>	<u><u>\$26,852</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,933,735	\$3,933,735	\$0
1,894,702	1,894,702	0
108,526	108,526	0
45,874	45,874	0
53,092	84,672	31,580
2,689	2,689	0
7,411	7,411	0
59,265	39,528	(19,737)
<u>6,105,294</u>	<u>6,117,137</u>	<u>11,843</u>
2,797,492	2,623,885	173,607
542,607	450,363	92,244
43,200	33,541	9,659
246,824	208,034	38,790
190,380	170,233	20,147
48,600	45,399	3,201
554,837	492,769	62,068
179,423	170,096	9,327
924,145	772,745	151,400
588,394	497,775	90,619
96,208	94,208	2,000
359,188	342,704	16,484
20,000	20,000	0
2,275	1,950	325
<u>6,593,573</u>	<u>5,923,702</u>	<u>669,871</u>
<u>(488,279)</u>	<u>193,435</u>	<u>681,714</u>
19,828	19,828	0
(19,828)	(19,828)	0
8,705	23,705	15,000
<u>(181,320)</u>	<u>(23,705)</u>	<u>157,615</u>
<u>(172,615)</u>	<u>0</u>	<u>172,615</u>
(660,894)	193,435	854,329
1,298,940	1,298,940	0
160,653	160,653	0
<u>\$798,699</u>	<u>\$1,653,028</u>	<u>\$854,329</u>

Newbury Local School District
Geauga County
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity*
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
Operating Revenues	
Sales	\$144,116
Operating Expenses	
Salaries	65,308
Fringe Benefits	17,512
Purchased Services	2,544
Materials and Supplies	27,092
Cost of Sales	62,885
Depreciation	2,813
<i>Total Operating Expenses</i>	178,154
<i>Operating Loss</i>	(34,038)
Non-Operating Revenues	
Federal Donated Commodities	5,740
Operating Grants	26,450
Interest	133
<i>Total Non-Operating Revenues</i>	32,323
<i>Net Loss</i>	(1,715)
<i>Retained Earnings (Deficit) Beginning of Year</i>	(65,914)
<i>Retained Earnings (Deficit) End of Year</i>	(67,629)
Contributed Capital at Beginning and End of Year	125,433
<i>Total Fund Equity End of Year</i>	\$57,804

See accompanying notes to the general purpose financial statements

Newbury Local School District
Geauga County
Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$144,335	\$144,335	\$0
Interest	133	133	0
Operating Grants	26,491	26,491	0
<i>Total Revenues</i>	170,959	170,959	0
Expenses			
Salaries	60,386	60,386	0
Fringe Benefits	17,022	16,963	59
Purchased Services	2,788	2,488	300
Materials and Supplies	86,810	83,961	2,849
Capital Outlay	2,590	2,590	0
<i>Total Expenses</i>	169,596	166,388	3,208
<i>Excess of Revenues Over Expenses</i>	1,363	4,571	3,208
<i>Fund Equity Beginning of Year</i>	10,626	10,626	0
<i>Fund Equity End of Year</i>	\$11,989	\$15,197	\$3,208

See accompanying notes to the general purpose financial statements

Newbury Local School District
Geauga County
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	Enterprise
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$144,335
Cash Payments to Suppliers for Goods and Services	(86,152)
Cash Payments to Employees for Services	(60,386)
Cash Payments for Employee Benefits	(16,963)
	(19,166)
Net Cash Used for Operating Activities	
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	26,491
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(2,590)
Cash Flows from Investing Activities:	
Interest on Investments	133
	4,868
Net Increase in Cash and Cash Equivalents	
<i>Cash and Cash Equivalents Beginning of Year</i>	10,626
<i>Cash and Cash Equivalents End of Year</i>	\$15,494
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
<i>Operating Loss</i>	(\$34,038)
Adjustments:	
Donated Commodities Used During Year	5,740
Depreciation	2,813
(Increase) Decrease in Assets:	
Accounts Receivable	219
Prepaid Items	353
Inventory Held for Resale	94
Materials and Supplies Inventory	(180)
Increase (Decrease) in Liabilities:	
Accounts Payable	276
Accrued Wages and Benefits	2,617
Compensated Absences Payable	241
Intergovernmental Payable	2,699
	14,872
<i>Total Adjustments</i>	14,872
<i>Net Cash Used for Operating Activities</i>	(\$19,166)

See accompanying notes to the general purpose financial statements

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 1 - Description of The School District And Reporting Entity

Newbury Local School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by state and/or federal agencies. This Board controls the School District's 2 instructional/support facilities staffed by 33 non-certificated employees, 60 certificated full time teaching personnel and 8 administrative employees to provide services to 773 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 the Newbury Township, Ohio. The School District is the 541st largest in the State of Ohio (among 611 school districts) in terms of enrollment. It currently operates one intermediate instructional building (grades 4, 5, and 6) and one administrative/instructional building (board offices and all other grades).

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 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. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with six jointly governed organizations. These organizations are the Auburn Career Center, the Lake Geauga Computer Association, the Newbury Joint Recreation Council, the East Shore Regional Transportation System, the East Shore Center and the Ohio Schools' Council. These organizations are presented in Notes 17 to the general purpose financial statements.

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Newbury Local 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 issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Geauga County Budget Commission for rate determination.

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary fund.

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

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

D. Cash and Cash Equivalents

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

The School District has a separate bank account for monies held separate from the School District's central pool. This account is presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District Treasury.

During fiscal year 1999, investments were limited to STAR Ohio, the State Treasurer's Investment Pool. 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 SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$106,860, which includes \$94,900 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed 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 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of five to twenty years. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis and shared revenues, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Non-Reimbursable Grants

Special Revenue Funds

- Auxiliary Services
- Teacher Development
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Textbook Subsidy
- School Security
- Eisenhower Math and Science Grant
- Title VI-B
- Title I
- Title VI
- Drug Free Schools Grant

Capital Projects Fund

- SchoolNet Plus

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately thirty-one percent of the governmental fund operating revenue during the 1999 fiscal year.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

J. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 15 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

K. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified employees, certified employees, and administrators after five years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds are reported as a liability of the general long-term obligations account group until due. Payments made more than two months after year-end are generally considered not to have been paid with current available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for 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, inventories of supplies and materials, property taxes, budget stabilization, bus purchases, and debt service.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by the statute to protect against cyclical changes in revenues and expenditures.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to retained earnings at year end. All propriety funds' fixed assets have been contributed.

P. 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.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Accountability

At June 30, 1999, the Food Service, enterprise fund had a deficit retained earnings of \$76,030. Management is analyzing operations to determine appropriate steps to alleviate the deficit.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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,

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Unreported cash represents amounts received/paid but not included as revenue/expenditure on the budget basis operating statements. These amounts are included as revenue/expenditure on the GAAP basis operating statement.
5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$540,881	(\$6,244)	(\$21,950)	(\$62,276)
Revenue Accruals	(21,625)	7,395	0	(2,300)
Advance In	5,396	14,432	0	0
Unrecorded Interest	(91)	0	0	0
Expenditure Accruals	(60,371)	3,076	0	1
Advance Out	(14,432)	(5,396)	0	0
Encumbrances	(149,673)	(32,510)	0	(878)
Budget Basis	\$300,085	(\$19,247)	(\$21,950)	(\$65,453)

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Net Loss/Excess of Revenues Over Expenses
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$1,715)
Revenue Accruals	260
Expense Accruals	6,100
Acquisition of Fixed Assets	(2,590)
Depreciation Expense	2,813
Encumbrances	(297)
Budget Basis	\$4,571

Note 5 - 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 two 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.

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

Interim monies may be deposited in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation,

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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 bankers' acceptances and commercial paper notes for a period not to exceed one hundred 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 interest rated in either of the two highest rating classification by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$18,279 and the bank balance was \$102,756. The entire bank balance was covered by federal depository insurance.

Investments: GASB Statement 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

department or agent but not in the School District's name. The School District invests in STAROhio, an investment pool operated by the Ohio State Treasurer, which is an unclassified investment it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
STAROhio	\$1,843,960

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,862,239	\$0
Investments:		
STAROhio	(1,843,960)	1,843,960
GASB Statement 3	\$18,279	\$1,843,960

Note 6 - 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. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value listed as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 First		1999 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$104,101,180	83.53%	\$106,308,400	83.40%
Public Utility	6,837,170	5.49	6,715,750	5.27
Tangible Personal Property	13,687,130	10.98	14,450,520	11.33
Total Assessed Value	<u>\$124,625,480</u>	<u>100.00%</u>	<u>\$127,474,670</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$56.50		\$56.50	

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 earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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 real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$454,000 and is recognized as revenue. \$445,000 was available to the general fund and \$9,000 was available to the capital projects fund.

Note 7 - Receivables

Receivables at June 30, 1999, consisted of property, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
School to Work Special Revenue Fund	14,432
Food Service Enterprise Fund	4,605
	\$19,037
	\$19,037

Note 8 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$112,032
Less Accumulated Depreciation	(62,442)
	\$49,590
	\$49,590

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 06/30/98	Additions	Deletions	Balance at 06/30/99
Land and Improvements	\$411,937	\$24,962	\$0	\$436,899
Buildings and Improvements	4,058,008	0	0	4,058,008
Furniture Fixtures				
Equipment	1,173,511	156,301	70,425	1,259,387
Vehicles	500,789	52,705	0	553,494
Totals	\$6,144,245	\$233,968	\$70,425	\$6,307,788

Note 9 - Interfund Transactions

Interfund balances at June 30, 1999, consist of the following individual fund receivables and payables:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General Fund	\$14,432	\$0
School to Work Grant - Special Revenue Fund	0	14,432
<i>Total</i>	\$14,432	\$14,432

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

Newbury Local School District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Newbury Local School District is required to contribute 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$57,898, \$72,158, and \$70,555 respectively; 57.02 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$24,886 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Newbury Local School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$155,960, \$277,124 and \$245,453 respectively; 87.21 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$19,443 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

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/State Teachers Retirement System. As of June 30, 1999, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District this amount equaled \$202,613 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 1999 fiscal year equaled \$51,730.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998, (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 40 or 55 days, depending on length of service.

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 the Ohio Schools Council. The School District has contracted with QualChoice Health plan, Inc. to provide employee medical/surgical and dental benefits. The School District pays \$591.08 per family coverage or \$249.67 per single coverage per month which represents 90% of the family premium and 100% of the single premium. This premium covers the medical/surgical and major medical portion of the insurance.

Note 13 - 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. During fiscal year 1999, the School District contracted for various types of insurance as follows:

Coverages Provided are as follows:	Coverage
Building and Contents - Replacement Cost (\$1,000 deductible)	\$16,015,915
Inland Marine Coverage (\$250 deductible)	687,761
Boiler and Machinery (\$1,000 deductible)	30,000,000
Crime Insurance (\$1,000 deductible)	250,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

B. Workers' Compensation

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 14 - Long-term Obligations

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Intermediate School Auditorium Bonds 1979 6.5%	\$40,000	\$0	\$20,000	\$20,000
Intergovernmental Payable	49,124	44,408	49,124	44,408
Compensated Absences	362,725	46,058	19,224	389,559
Total General Long-Term Obligations	\$451,849	\$90,466	\$88,348	\$453,967

On June 1, 1979, Newbury Local School District issued \$400,000 in voted general obligation bonds for the purpose of elementary school additions. The bonds were issued for a twenty year period with final maturity at December 1, 1999. These bonds will be paid from the debt service fund. Sufficient funds have been reserved to meet all future principal and interest debt service requirements. The remaining fund balance cannot be transferred to another fund until the debt is paid or will be used to pay future debt.

The intergovernmental payable represents pension obligations paid outside the available period. This liability will be paid from the fund from which the employees' salaries are paid. Compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$23,095,132 with an unvoted debt margin of \$257,529 at June 30, 1999. The remaining general obligation bonds outstanding at June 30, 1999 will be retired in 2000 with a payment of \$20,000 of principal and \$650 of interest.

Note 15 - 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

	Textbooks	Capital Improve ment	Budget Reserve	Total
Set-aside balance carried forward July 1, 1998	\$0	\$0	\$31,149	
Current year set-aside requirement	100,318	100,318	0	
Qualifying Expenditures	(100,318)	(100,318)	0	
Total	<u>0</u>	<u>0</u>	<u>31,149</u>	
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$31,149</u>	31,149
Amount Restricted for Bus Purchases				<u>24,388</u>
Total Restricted Assets				<u>\$55,537</u>

Amounts of qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

Note 16 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Newbury Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$113,382	\$30,734	\$144,116
Depreciation Expense	2,813	0	2,813
Operating Income (Loss)	(37,809)	3,771	(34,038)
Donated Commodities	5,740	0	5,740
Operating Grants	26,450	0	26,450
Interest on Investments	133	0	133
Net Income (Loss)	(5,486)	3,771	(1,715)
Net Working Capital	(187)	8,402	8,215
Total Assets	67,089	8,402	75,491
Total Equity	49,402	8,402	57,804
Encumbrances	297	0	297

Note 17 - Jointly Governed Organizations

Auburn Career Center - The Auburn Career Center is a joint vocational school district, a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

each of the eleven participating school districts' elected boards, which possesses its own budgeting and taxing authority. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to its representation on the board. Continued existence of the Auburn Career Center is not dependent on Newbury Local School District's continued participation. To obtain financial information write to the Auburn Career Center, 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. To obtain financial information, write to Lake Geauga Computer Association, 8140 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 the fiscal year ended June 30, 1999. 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.

East Shore Regional Transportation System - The East Shore Regional Transportation System (the "ESRTA") is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the 16 member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by Newbury Local School District is limited to its representation on the governing board. The continued existence of ESRTA is not dependent on the School District's continued participation. To obtain financial information, write to Kirkland Board of Education, 9252 Chillicothe Road, Kirkland, Ohio 44094.

East Shore Center - The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. East Shore Center is not accumulating significant resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Mentor Exempted Village School District, 6451 Center Street, Mentor, OH 44060.

Ohio Schools' Council - The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 1999, the School District paid \$700 to the Council. Financial

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non profit corporation with a self appointing board, issued \$119,140,000 in debt to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

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

Note 19 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,722,000 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the

Newbury Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

Note 20 - Subsequent Event

On July 1, 1999, the School District issued \$620,759 of House Bill 264 Energy Conservation Improvement Bonds at a rate of 5.748 percent for 10 years for various improvements in the School District.



STATE OF OHIO
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Newbury Local School District, Geauga County, Ohio (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated November 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting, that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 17, 2000.

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

Jim Petro
Auditor of State

November 17, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JANUARY 04, 2001**