



Dave Yost • Auditor of State

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Newton Local School District
Miami County
201 North Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, Ohio (the District), as of and for the year ended June 30, 2011, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, Ohio, as of June 30 2011, and the respective changes in cash financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during 2011, the District adopted the provisions of Government Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2012, 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

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net cash assets, changes in net cash assets debt administration, and governmental activities. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

March 19, 2012

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The management's discussion and analysis of the Newton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2011, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The total net cash assets of the District decreased \$5,505,685 or 63.43% from fiscal year 2010.
- General cash receipts accounted for \$5,306,704 or 79.31% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,384,045 or 20.69% of total governmental activities cash receipts.
- The District had \$12,196,434 in cash disbursements related to governmental activities; \$1,384,045 of these cash disbursements were offset by program specific charges for services, grants or contributions.
- The District's major funds are the general fund, bond retirement fund, permanent improvement fund, and classroom facilities capital projects fund. The general fund had cash receipts of \$5,053,663 in 2011. The cash disbursements of the general fund totaled \$5,156,156 in 2011. The general fund's cash balance decreased \$102,493 or 5.86% from 2010 to 2011.
- The bond retirement fund, a District major fund, had cash receipts of \$643,197 in 2011. The bond retirement fund had cash disbursements of \$734,817 in 2011. The bond retirement fund cash balance decreased \$91,620 or 15.37% from 2010 to 2011.
- The permanent improvement fund, a District major fund, had cash receipts of \$157,342 in 2011. The permanent improvement fund had cash disbursements of \$1,313,827 in 2011. The permanent improvement fund cash balance decreased \$494,975 or 94.99% from 2010 to 2011.
- The classroom facilities capital projects fund, a District major fund, had cash receipts of \$54,795 in 2011. The classroom facilities capital projects fund had cash disbursements of \$4,256,081 in 2011. The classroom facilities capital projects fund cash balance decreased \$4,862,796 or 87.39% from 2010 to 2011.

Using the Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net assets –cash basis and statement of activities –cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, there are four major governmental funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets –Cash Basis and the Statement of Activities –Cash Basis

The statement of net assets – cash basis and statement of activities –cash basis answer the question, "How did we do financially during 2011?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

The statement of net assets –cash basis and statement of activities –cash basis can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund, permanent improvement fund, and the classroom facilities capital projects fund. The analysis of the District's major governmental funds begins on page 9.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets cash basis and changes in fiduciary net assets cash basis on pages 18-19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-42 of this report.

Government-Wide Financial Analysis

Recall that the statement of net assets - cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash assets at June 30, 2011 and June 30, 2010. The amounts for 2010 have been restated to conform to GASB 54 which is the basis upon which the District has presented the 2011 financial statements (see Note 3.C to the financial statements for detail).

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

	Net Cash Assets	
	Governmental Activities 2011	Governmental Activities 2010
Assets:		
Equity in pooled cash and cash equivalents	\$3,048,996	\$8,112,023
Cash in segregated accounts	125,492	175,000
Investments		393,150
Total assets	3,174,488	8,680,173
Net Cash Assets:		
Restricted	1,528,802	6,945,603
Unrestricted	1,645,686	1,734,570
Total net cash assets	\$3,174,488	\$8,680,173

The total net cash assets of the District decreased \$5,505,685 which represents a 63.43% decrease from fiscal year 2010. This decrease was due to the District's Ohio School Facilities construction project. The balance of government-wide unrestricted net cash assets of \$1,645,686 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal year 2011 and 2010.

	Change in Net Cash Assets	
	Governmental Activities 2011	Governmental Activities 2010
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 652,785	\$ 591,617
Operating grants and contributions	676,465	569,733
Capital grants and contributions	54,795	3,781,744
Total program cash receipts	1,384,045	4,943,094
General cash receipts:		
Property and other taxes	2,878,114	2,872,086
Unrestricted grants:		
Operating	2,343,110	2,445,189
Investment earnings	3,521	155,596
Other	81,959	41,614
Total general cash receipts	5,306,704	5,514,485
Total cash receipts	6,690,749	10,457,579

(Continued)

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

**Change in Net Cash Assets
(Continued)**

	Governmental Activities 2011	Governmental Activities 2010
Cash Disbursements:		
Instruction:		
Regular	2,614,135	2,496,352
Special	413,596	329,996
Vocational	657	102
Support services:		
Pupil	198,989	232,174
Instructional staff	446,765	216,314
Board of education	5,530	5,994
Administration	696,467	705,994
Fiscal	247,205	248,563
Operations and maintenance	992,999	470,129
Pupil transportation	209,980	296,626
Central	3,493	3,675
Operation of non instructional services	59,807	54,007
Food service operations	194,983	143,530
Extracurricular activities	285,072	277,471
Facilities acquisition and construction	4,915,235	10,587,548
Debt service:		
Principal retirement	472,793	306,974
Interest and fiscal charges	304,505	171,837
Total cash disbursements	<u>12,196,434</u>	<u>16,556,620</u>
Change in net cash assets	(5,505,685)	(6,099,041)
Net cash assets at beginning of year	<u>8,680,173</u>	<u>14,779,214</u>
Net cash assets at end of year	<u>\$3,174,488</u>	<u>\$8,680,173</u>

Governmental Activities

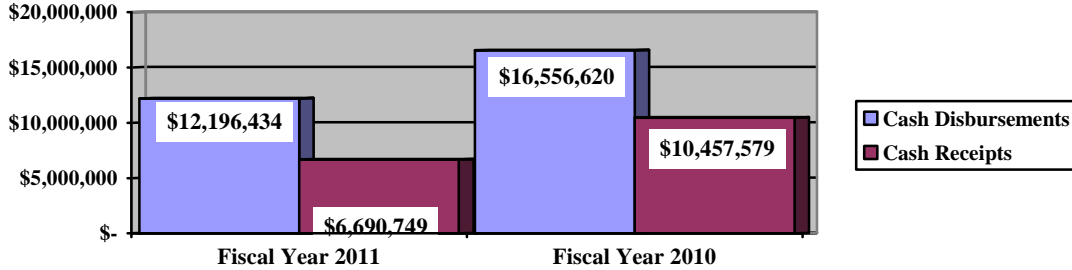
Governmental cash assets decreased by \$5,505,685 in 2011 from 2010. This decrease is primarily a result of construction expenditures related to the District's Ohio School Facilities Commission (OSFC) building project. Total governmental disbursements of \$12,196,434 were offset by program receipts of \$1,384,045 and general receipts of \$5,306,704. Program receipts supported 11.35% of the total governmental disbursements. The two largest governmental disbursements were instructional expenditures which totaled \$3,162,450 and facilities acquisition and construction of \$4,915,235.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 78.04% of total governmental receipts. Real estate property is reappraised every six years.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



Governmental Activities

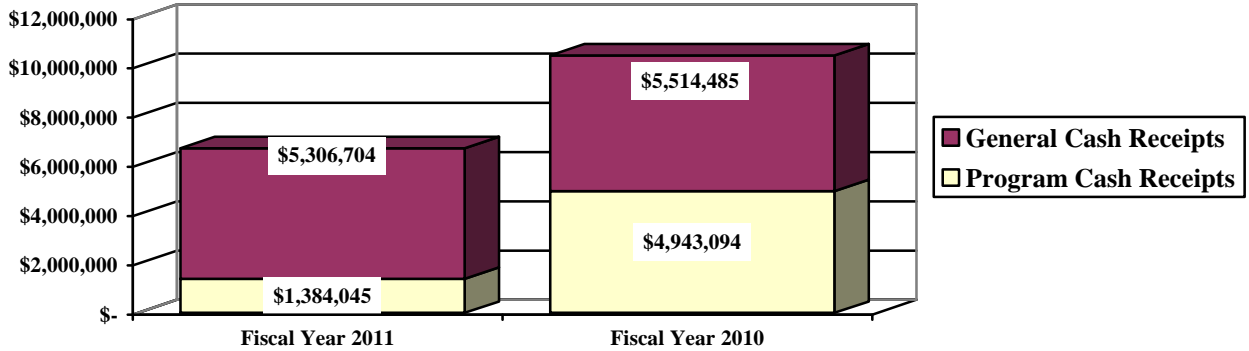
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Cash disbursements:				
Instruction:				
Regular	\$ 2,614,135	\$ 2,094,915	\$ 2,496,352	\$ 2,090,747
Special	413,596	147,614	329,996	122,364
Vocational	657	657	102	(6,874)
Other	134,062	132,582	8,211	6,977
Support services:				
Pupil	198,989	171,906	232,174	207,094
Instructional staff	446,765	411,984	216,314	181,362
Board of education	5,530	5,530	5,994	5,994
Administration	696,467	688,096	705,994	675,795
Fiscal	247,205	243,821	248,563	247,420
Business	161	161	1,123	1,123
Operations and maintenance	992,999	817,442	470,129	328,782
Pupil transportation	209,980	209,980	296,626	216,844
Central	3,493	(866)	3,675	(684)
Operation of non instructional services	59,807	57,623	54,007	52,228
Food service operations	194,983	(51)	143,530	(20,118)
Extracurricular activities	285,072	193,257	277,471	211,677
Facilities acquisition and construction	4,915,235	4,860,440	10,587,548	6,813,984
Debt service:				
Principal retirement	472,793	472,793	306,974	306,974
Interest and fiscal charges	304,505	304,505	171,837	171,837
Total	\$12,196,434	\$10,812,389	\$16,556,620	\$11,613,526

The dependence upon general cash receipts for governmental activities is apparent; with only 11.35% of cash disbursements supported through program cash receipts during 2011.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$3,174,488, which is \$5,505,685 below last year's total of \$8,680,173. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2011 and June 30, 2010, for all major and non-major governmental funds.

	Fund Cash Balance June 30, 2011	Restated Fund Cash Balance June 30, 2010	Increase (Decrease)
General	\$1,645,686	\$1,748,179	(\$ 102,493)
Bond retirement	504,501	596,121	(91,620)
Permanent improvement	26,121	521,096	(494,975)
Classroom facilities	701,997	5,564,793	(4,862,796)
Other non-major governmental funds	296,183	249,984	46,199
Total	\$3,174,488	\$8,680,173	(\$5,505,685)

General Fund

The District's major funds are the general fund, bond retirement fund, permanent improvement fund, and the classroom facilities capital projects fund. The general fund had cash receipts of \$5,053,663 in 2011. The cash disbursements of the general fund totaled \$5,156,156 in 2011. The general fund's cash balance decreased \$102,493 or 5.86% from 2010 to 2011.

The table that follows assists in illustrating the cash receipts of the general fund. The amounts for 2010 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2011 financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

	2011 Amount	Restated 2010 Amount	Percentage Change
Cash Receipts:			
Taxes	\$2,229,663	\$2,231,878	(0.10) %
Tuition	415,743	377,394	10.16 %
Earnings on investments	3,284	5,737	(42.76) %
Other local revenues	54,572	87,344	(37.52) %
Intergovernmental	2,350,401	2,330,099	0.87 %
Total	<u>\$5,053,663</u>	<u>\$5,032,452</u>	0.42 %

Overall, revenue in the general fund remained relatively stable, with an increase of only .42%. Tuition increased due to an increase in open enrollment.

The table that follows assists in illustrating the expenditures of the general fund. The amounts for 2010 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2011 financial statements.

	2011 Amount	Restated 2010 Amount	Percentage Change
Cash Disbursements:			
Instruction	\$2,943,401	\$2,624,749	12.14
Support services	1,946,141	1,846,875	5.37
Operation of non instruction	58,057	52,507	10.57
Extracurricular activities	208,557	208,817	(0.12)
Total	<u>\$5,156,156</u>	<u>\$4,732,948</u>	8.94

The increase in instruction and support services disbursements was due, in part, to an increase in wage and benefit costs, primarily due to the rising cost of health insurance.

Bond Retirement Fund

The bond retirement fund, a District major fund, had cash receipts of \$643,197 in 2011. The bond retirement fund had cash disbursements of \$734,817 in 2011. The bond retirement fund cash balance decreased \$91,620 or 15.37% from 2010 to 2011.

Permanent Improvement Fund

The permanent improvement fund, a District major fund, had cash receipts and other financing sources of \$818,852 in 2011. The permanent improvement fund had cash disbursements of \$1,313,827 in 2011. The permanent improvement fund cash balance decreased \$494,975 or 94.99% from 2010 to 2011.

Classroom Facilities Fund

The classroom facilities capital projects fund, a District major fund, had cash receipts of \$54,795 in 2011. The classroom facilities capital projects fund had cash disbursements and other financing uses of \$4,917,591 in 2011. The classroom facilities capital projects fund cash balance decreased \$4,862,796 or 87.39% from 2010 to 2011.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Budgeting Highlights - General Fund

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

For the general fund, final budgetary basis receipts of \$5,007,890 were higher than the original budget estimates of \$4,881,617. Actual cash receipts plus other financing sources were \$5,007,890.

The final budgetary basis disbursements of \$5,141,159 were less than the original budget estimates of \$6,616,187. The actual budgetary basis disbursements were \$5,141,159.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$4,915,235 during fiscal year 2011.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2011 and 2010:

	Governmental Activities 2011	Governmental Activities 2010
General obligation bonds - Series 1998		\$ 130,000
Refunding bonds - Series 2008:		
Current interest bonds	\$6,790,000	7,095,000
Capital appreciation bonds	129,998	129,998
Accreted interest	146,666	90,015
Tax anticipation note	289,060	326,853
Total long-term obligations	\$7,355,724	\$7,771,866

Refer to Note 8 to the basic financial statements for further detail.

Current Financial Related Activities

Real estate tax revenue for fiscal year 2011 had a modest increase of 4.21%. Looking forward there is significant growth expected, as CAUV values are expected to increase.

The District will receive approximately \$110,000 in additional EDjobs Stimulus money in fiscal year 2012. This will help offset the tangible personal property tax reimbursement the District is losing. The District will also be losing around \$60,000 in state foundation.

The ongoing recession had a negative impact on the District's school income tax collections for fiscal year 2011. Revenue was down by 3.97%. However the first quarterly payment for fiscal year 2012 is up by 17%. The good news is the three-year temporary income tax passed in November 2009 and will continue until December 31, 2012.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Health insurance premiums continue to increase. A 10.8% premium increase will go into effect October 1, 2011. The Board and teachers union (NTA) have agreed to a two-year contract beginning July 1, 2010 and ending June 30, 2012. Base pay increases are 1.75% and 1.0% respectfully. The Board and teachers union have agreed to concessions in a 3 year contract beginning July 1, 2012 and ending June 30, 2014. The teachers union took a zero percent increase each year and will be paying an additional five percent of the healthcare cost.

The Board of Education also enacted a cost reduction plan. By implementing this plan the District is on track to save almost \$300,000 in fiscal year 2012.

Students begin classes August 23, 2011. This is the second year the students, staff, and community have been in the new building.

The Board continues to use budgetary controls to monitor finances while maintaining an excellent academic program for its students. It is a top priority of the Board to set and meet goals and objectives to keep the District financially sound and to provide instructional elements in order for students to excel educationally.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Nick Hamilton, Treasurer, Newton Local School District, 201 N. Long Street, Pleasant Hill, Ohio 45359-0803.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,048,996
Cash in Segregated Accounts	125,492
Total Assets	<u>3,174,488</u>
Net Cash Assets	
Restricted for:	
Capital Projects	745,577
Classroom Facilities Maintenance	124,926
Debt Service	504,501
Student Activities	24,400
Other Purposes	129,398
Unrestricted	1,645,686
Total Net Cash Assets	<u><u>\$3,174,488</u></u>

See accompanying notes to the basic financial statements.

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Program Cash Receipts			Net (Expense) Revenue and Changes in Net Cash Assets Governmental Activities	
	Disbursements	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instruction:					
Regular	\$2,614,135	\$435,677	\$83,543	(\$2,094,915)	
Special	413,596	2,098	263,884	(\$147,614)	
Vocational	657			(\$657)	
Other	134,062		1,480	(\$132,582)	
Support Services:					
Pupils	198,989		27,083	(\$171,906)	
Instructional Staff	446,765		34,781	(\$411,984)	
Board of Education	5,530			(\$5,530)	
Administration	696,467		8,371	(\$688,096)	
Fiscal	247,205		3,384	(\$243,821)	
Business	161			(\$161)	
Operation and Maintenance	992,999	362	175,195	(\$817,442)	
Pupil Transportation	209,980			(\$209,980)	
Central	3,493		4,359	\$866	
Operation of Non-Instructional Services					
Other Non-Instructional Services	59,807		2,184	(\$57,623)	
Food Service Operations	194,983	122,833	72,201	\$51	
Extracurricular Activities	285,072	91,815		(\$193,257)	
Facilities Acquisition and Construction	4,915,235			(\$4,860,440)	
Debt Service:					
Principal Retirement	472,793			(\$472,793)	
Interest and Fiscal Charges	304,505			(\$304,505)	
Total Primary Government	<u>\$12,196,434</u>	<u>\$652,785</u>	<u>\$676,465</u>	<u>\$54,795</u>	<u>(10,812,389)</u>

General Cash Receipts:

Property Taxes Levied For:

General Purposes	1,143,349
Debt Service	549,180
Capital Outlay	72,187
Special Revenue	27,084

Income Taxes Levied For:

General Purposes	1,086,314
Grants and Contributions Not Restricted to Specific Programs	2,343,110
Unrestricted Investment Earnings	3,521
Miscellaneous	81,959

Total General Cash Receipts	<u>5,306,704</u>
Change in Net Cash Assets	<u>(5,505,685)</u>
Net Cash Assets - Beginning	<u>8,680,173</u>
Net Cash Assets - Ending	<u>\$3,174,488</u>

See accompanying notes to the basic financial statements.

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$1,645,686	\$504,501	\$26,121	\$576,505	\$296,183	\$3,048,996
Cash in Segregated Accounts				125,492		125,492
Total Assets	<u>1,645,686</u>	<u>504,501</u>	<u>26,121</u>	<u>701,997</u>	<u>296,183</u>	<u>3,174,488</u>
Fund Cash Balances:						
Restricted:						
Debt Service		504,501				504,501
Capital Improvements			26,121	701,997	17,459	745,577
Classroom Facilities Maintenance					124,926	124,926
Food Service Operations					56,278	56,278
Extracurricular					24,400	24,400
Restricted:						
Other Purposes					73,120	73,120
Assigned:						
Student Instruction	5,500					5,500
Student and Staff Support	26,489					26,489
Uniform School Supplies	2,584					2,584
Public School Support	9,812					9,812
Unassigned	1,601,301					1,601,301
Total Fund Balances	<u>\$1,645,686</u>	<u>\$504,501</u>	<u>\$26,121</u>	<u>\$701,997</u>	<u>\$296,183</u>	<u>\$3,174,488</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:						
Property Taxes	\$1,143,349	\$549,180	\$72,187		\$27,084	\$1,791,800
Income Taxes	1,086,314					1,086,314
Tuition	415,743					415,743
Earnings on Investments	3,284	195	25		17	3,521
Charges for Services					122,833	122,833
Extracurricular	23,741				68,074	91,815
Classroom Materials and Fees	22,032					22,032
Rental Income	362					362
Contributions and Donations	1,750				12,892	14,642
Other Local Revenues	6,687		72,866	\$1,875	656	82,084
Intergovernmental - State	2,344,931	93,822	12,264	52,920	28,008	2,531,945
Intergovernmental - Federal	5,470				522,188	527,658
Total Revenues	<u>5,053,663</u>	<u>643,197</u>	<u>157,342</u>	<u>54,795</u>	<u>781,752</u>	<u>6,690,749</u>
Cash Disbursements:						
Current:						
Instruction:						
Regular	2,531,636				82,499	2,614,135
Special	278,526				135,070	413,596
Vocational	657					657
Other	132,582				1,480	134,062
Support Services:						
Pupils	159,408		11,737		27,844	198,989
Instructional Staff	243,298		168,686		34,781	446,765
Board of Education	5,530					5,530
Administration	688,039				8,428	696,467
Fiscal	232,260	9,792	1,286		3,867	247,205
Business	161					161
Operation and Maintenance	407,465		406,443		179,091	992,999
Pupil Transportation	209,980					209,980
Central					3,493	3,493
Operation of Non-Instructional Services						
Other Non-Instructional Services	58,057				1,750	59,807
Food Service Operations					194,983	194,983
Extracurricular Activities	208,557		9,000	5,248	62,267	285,072
Facilities Acquisition and Construction			664,402	4,250,833		4,915,235
Debt Service:						
Principal Retirement		435,000	37,793			472,793
Interest and Fiscal Charges		290,025	14,480			304,505
Total Expenditures	<u>5,156,156</u>	<u>734,817</u>	<u>1,313,827</u>	<u>4,256,081</u>	<u>735,553</u>	<u>12,196,434</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(102,493)	(91,620)	(1,156,485)	(4,201,286)	46,199	(5,505,685)
Other Financing Sources (Uses):						
Transfers In			661,510			661,510
Transfers (Out)				(661,510)		(661,510)
Total Other Financing Sources (Uses)			<u>661,510</u>	<u>(661,510)</u>		
Net Change in Fund Cash Balances	(102,493)	(91,620)	(494,975)	(4,862,796)	46,199	(5,505,685)
Fund Cash Balances - Beginning (Restated)	1,748,179	596,121	521,096	5,564,793	249,984	8,680,173
Fund Cash Balances - Ending	<u>\$1,645,686</u>	<u>\$504,501</u>	<u>\$26,121</u>	<u>\$701,997</u>	<u>\$296,183</u>	<u>\$3,174,488</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) -
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Basis Receipts:				
From Local Sources:				
Property Taxes	\$1,089,775	\$1,143,349	\$1,143,349	
Income Taxes	1,142,544	1,086,314	1,086,314	
Tuition	394,580	415,743	415,743	
Earnings on Investments	5,600	3,284	3,284	
Rental Income	500	362	362	
Contributions and Donations		1,750	1,750	
Other Local Revenues	650	6,537	6,537	
Intergovernmental - State	2,242,943	2,344,931	2,344,931	
Intergovernmental - Federal	4,625	5,470	5,470	
Total Budgetary Basis Receipts	<u>4,881,217</u>	<u>5,007,740</u>	<u>5,007,740</u>	
Budgetary Basis Disbursements:				
Current:				
Instruction:				
Regular	2,516,523	2,513,842	2,513,842	
Special	329,892	278,526	278,526	
Vocational	150	657	657	
Other	6,480	132,582	132,582	
Support Services:				
Pupils	227,719	159,408	159,408	
Instructional Staff	647,060	243,357	243,357	
Board of Education	5,419	5,530	5,530	
Administration	719,357	664,577	664,577	
Fiscal	222,790	250,640	250,640	
Business	750	161	161	
Operation and Maintenance	621,938	410,250	410,250	
Pupil Transportation	219,901	215,015	215,015	
Operation of Non-Instructional Services	55,000	58,057	58,057	
Extracurricular Activities	212,551	208,557	208,557	
Facilities Acquisition and Construction	830,657			
Total Budgetary Basis Disbursements	<u>6,616,187</u>	<u>5,141,159</u>	<u>5,141,159</u>	
Net Change in Fund Cash Balance	(1,734,970)	(133,419)	(133,419)	
Other Financing Sources:				
Refund of Prior Year Expenditures	150			
Sale of Capital Assets	250	150	150	
Total Other Financing Sources (Uses)	<u>400</u>	<u>150</u>	<u>150</u>	
Net Change in Fund Balance	<u>(1,734,570)</u>	<u>(133,269)</u>	<u>(133,269)</u>	
Fund Cash Balance at Beginning of Year	1,517,353	1,517,353	1,517,353	
Prior Year Encumbrances Appropriated	<u>217,217</u>	<u>217,217</u>	<u>217,217</u>	
Fund Cash Balance at End of Year	<u>\$0</u>	<u>\$1,601,301</u>	<u>\$1,601,301</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$57,444	\$31,355
Net Cash Assets:		
Held in Trust for Scholarships	57,444	
Held for Student Activities		31,355
Total Net Cash Assets	\$57,444	\$31,355

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Private Purpose Trust Scholarship
Additions:	
Interest	\$178
Total Additions	<u>178</u>
Change in Net Cash Assets	178
Net Cash Assets - Beginning	<u>57,266</u>
Net Cash Assets - Ending	<u><u>\$57,444</u></u>

See accompanying notes to the basic financial statements.

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1923 through the consolidation of existing land areas and school districts. The District serves an area of approximately 42 square miles. It is located in Miami County and includes all of the Village of Pleasant Hill and a portion of Darke County. It is staffed by 33 non-certified employees, 42 certified full-time teaching personnel and three administrative employees and one shared Treasurer who provides services to 599 students and other community members. The District currently operates one instructional-administrative building and one bus garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.D., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of MDECA consists of seven superintendents of member school districts, with six of the superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the general fund. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Miami, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

2. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan - The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

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

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds payable

Permanent improvement fund - The permanent improvement capital projects fund is used to account for the accumulation of resources used for facility improvements other than those accounted for in other funds.

Classroom facilities fund - The classroom facilities fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation

1. Government-wide Financial Statements

The statement of net assets - cash basis and the statement of activities - cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

2. Fund Financial Statements

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

D. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements is due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

E. Budgets

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

All funds, other than the agency fund, are required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level of control may only be made by resolution of the Board of Education.

1. 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 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 Miami County Budget Commission for rate determination.

2. Estimated Resources

Prior to 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. On July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final certificate of estimated resources in effect at the time the original and final appropriation resolutions were passed by the Board of Education.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

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

4. Encumbrances

As part of the 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. Encumbrances outstanding at fiscal year end are reported as an assignment, commitment or restriction of fund balance for subsequent-year expenditures for governmental funds.

5. 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.

F. Cash and Investments

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

The District has invested funds in U.S. Government money markets, non-negotiable certificates of deposit (CD's), and the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2011.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with 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 STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2011.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$3,284, which includes \$1,070 assigned from other funds.

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

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

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

I. Fund Balance

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

Non-spendable - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

J. Net Cash Assets

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash assets are available.

K. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 receipts/disbursements in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

B. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

C. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Facilities</u>	<u>Classroom Facilities</u>	<u>Non-major Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$1,734,570	\$596,121	\$521,096	\$5,564,793	\$263,593	\$8,680,173
Fund reclassifications:						
Public school support fund	3,845				(3,845)	
Uniform school supplies	9,764				(9,764)	
Total fund reclassifications	<u>13,609</u>				<u>(13,609)</u>	
Restated fund balance at July 1, 2010	<u>\$1,748,179</u>	<u>\$596,121</u>	<u>\$521,096</u>	<u>\$5,564,793</u>	<u>\$249,984</u>	<u>\$8,680,173</u>

The fund reclassifications did not have an effect on net assets as previously reported.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

A. Cash in Segregated Account

At fiscal year end, the District had \$125,492 on deposit in retainage accounts related to the Ohio School Facilities Construction Project. This amount is reported on the balance sheet and statement of net assets as "cash in segregated accounts".

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$330,963. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, the District's entire bank balance of \$357,113 was covered by the FDIC.

C. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Cost</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$2,806,197	\$2,806,197
U.S. Government money market	635	635
Total	<u>\$2,806,832</u>	<u>\$2,806,832</u>

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and the U.S. Government money market carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Cost</u>	<u>% to Total</u>
STAR Ohio	\$2,806,197	99.98
U.S. Government money market	635	0.02
Total	<u>\$2,806,832</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 330,963
Cash in segregated accounts	125,492
Investments	<u>2,806,832</u>
Total	<u>\$3,263,287</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$3,174,488
Private-purpose trust funds	57,444
Agency funds	<u>31,355</u>
Total	<u>\$3,263,287</u>

5. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers to permanent fund from:</u>	<u>Amount</u>
Classroom facilities fund	<u>\$661,510</u>

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, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the classroom facilities fund to the permanent improvement fund was to move interest earned on the local share of the Ohio Schools Facilities Commission Construction project.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Darke and Miami County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$61,396,400	97.77	\$65,622,300	97.90
Public utility personal	1,315,650	2.10	1,367,780	2.04
Tangible personal property	<u>84,760</u>	<u>0.13</u>	<u>37,640</u>	<u>0.06</u>
Total	<u>\$62,796,810</u>	<u>100.00</u>	<u>\$67,027,720</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$47.85		\$47.40	

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of one percent for general operations on the residents and estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$1,086,314 was credited to the general fund during fiscal year 2011.

8. LONG-TERM OBLIGATIONS

A. During the fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	<u>Outstanding 06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/11</u>	<u>Due in One Year</u>
Governmental activities:					
General obligation bonds - Series 1998	\$ 130,000		(\$130,000)		
School facilities construction and advance refunding bonds - Series 2008					
Current interest bonds	7,095,000		(305,000)	\$6,790,000	\$325,000
Capital appreciation bonds	129,998			129,998	
Accreted interest	90,015	\$56,651		146,666	
Total G.O. bonds	<u>7,445,013</u>	<u>56,651</u>	<u>(435,000)</u>	<u>7,066,664</u>	<u>325,000</u>
Tax anticipation note	326,853		(37,793)	289,060	38,630
Total	<u>\$7,771,866</u>	<u>\$56,651</u>	<u>(\$472,793)</u>	<u>\$7,355,724</u>	<u>\$363,630</u>

Tax Anticipation Notes: - On April 17, 2008, the District issued \$400,000 in tax anticipation notes to be repaid over the next 10 years with tax revenues generated by a tax levy. These notes will be used to finance the construction of public school facilities. The notes mature on January 15, 2018 and will be paid from the permanent improvement fund.

General Obligation Bonds Payable - Series 1998: On February 15, 1998, the District issued \$2,150,000 in general obligation bonds. The proceeds of these bonds were used to provide long-term financing of the District's building projects. These bonds were scheduled to mature in fiscal year 2017. These general obligation bonds were issued to pay judgments against the District for which the full faith and credit of the District is pledged for repayment. A portion of the Series 1998 general obligation bonds was refunded during fiscal year 2008 in the amount of \$955,000. The remaining balance of the Series 1998 general obligation bonds matured December 1, 2010. Payments of principal and interest relating to these liabilities are recorded as expenditures in the bond retirement fund.

School Facilities Construction and Advance Refunding Bonds - Series 2008: On March 18, 2008, the District issued general obligation bonds to finance the local share portion of the Ohio School Facilities Commission project (\$6,444,998) and to advance refund the callable portion of the Series 1998 general obligation bonds (\$955,000). This refunded debt is considered defeased (in-substance).

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. LONG-TERM OBLIGATIONS (Continued)

The Series 2008 issue is comprised of both current interest bonds, par value \$7,270,000, and capital appreciation bonds par value \$129,998. The interest rates on the current interest bonds range from 3.00% - 4.25%. The capital appreciation bonds mature on January 15, 2013 (stated interest rate 17.027%), January 15, 2014 (stated interest rate 31.704%), and January 15, 2015 (stated interest rate 31.704%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing January 15, 2013 is \$165,000, January 15, 2014 is \$175,000, and January 15, 2015 is \$175,000.

Interest payments on the current interest bonds are due on July 15 and January 15 of each year. The final maturity stated in the issue is January 15, 2036. Payments of principal and interest are recorded as expenditures of the bond retirement fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$47,373.

Principal and interest requirements to retire the long-term obligations at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Current Interest School Improvement and Refunding Bonds - Series 2008			Capital Appreciation School Improvement and Refunding Bonds - Series 2008		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 325,000	\$ 276,700	\$ 601,700			
2013	170,000	265,326	435,326	\$ 74,999	\$ 90,001	\$165,000
2014	170,000	258,950	428,950	31,517	143,483	175,000
2015	175,000	252,576	427,576	23,482	151,518	175,000
2016	365,000	245,575	610,575			
2017 - 2021	1,000,000	1,078,076	2,078,076			
2022 - 2026	1,225,000	860,556	2,085,556			
2027 - 2031	1,505,000	587,617	2,092,617			
2032 - 2036	1,855,000	243,311	2,098,311			
Total	<u>\$6,790,000</u>	<u>\$4,068,687</u>	<u>\$10,858,687</u>	<u>\$129,998</u>	<u>\$385,002</u>	<u>\$515,000</u>

Fiscal Year Ending June 30,	Tax Anticipation Notes		
	Principal	Interest	Total
2012	\$ 38,630	\$12,805	\$ 51,435
2013	39,486	11,094	50,580
2014	40,361	9,344	49,705
2015	41,255	7,556	48,811
2016	42,169	5,730	47,899
2017 - 2018	87,159	5,813	92,972
Total	<u>\$289,060</u>	<u>\$52,342</u>	<u>\$341,402</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. LONG-TERM OBLIGATIONS (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, resulted in no remaining voted debt margin and an unvoted debt margin of \$66,990.

9. RISK MANAGEMENT

A. Property and Liability

The 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 2011, the District contracted for fleet insurance, crime, electronic data processing, equipment floater, property insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability and employment practices with Phelan Insurance Agency.

Insurance coverage provided includes the following:

<u>Description</u>	<u>Amount</u>
Building and Contents – replacement cost (\$1,000 deductible)	\$23,670,784
Equipment Floater Coverage (\$1,000 deductible)	
Electronic Data Processing Coverage (\$1,000 deductible)	25,000
Crime Insurance (\$500 deductible)	170,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Education General Liability	
Each Occurrence	1,000,000
Personal and Advertising Injury Limit – each offense	1,000,000
Fire Damage Limit – any one event	300,000
Medical Expense – (excluding students)	15,000
General Aggregate Limit	2,000,000
Products – completed operations limit	2,000,000
Employer's Liability and Stop Gap	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Errors and Omissions Liability (\$5,000 deductible)	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. RISK MANAGEMENT (Continued)

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

B. Workers' Compensation

The District pays the state workers' compensation system a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Medical Benefits

For fiscal year 2011, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (See Note 2.A.). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational

Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

10. PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$78,878, \$74,406 and \$49,092, respectively; 60.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The 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 website at www.strsoh.org under "Publications".

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 fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$299,080, \$293,781 and \$287,419, respectively; 82.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and combined plans for fiscal year 2011 were \$7,080 made by the District and \$5,057 made by the plan members.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$9,551, \$13,891 and \$33,223, respectively; 60.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$5,076, \$4,425 and \$4,051, respectively; 60.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 under "Publications" 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$23,006, \$22,599 and \$22,109, respectively; 82.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

12. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary comparison schedule presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Cash Balance	
	General fund
Cash basis	(\$102,493)
Funds budgeted elsewhere **	1,213
Adjustment for encumbrances	(31,989)
Budget basis	(\$133,269)

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. BUDGETARY BASIS OF ACCOUNTING (Continued)

** Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GASB 54 basis. This includes the uniform school supplies and the public school support fund.

13. CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

14. SET-ASIDES

The 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 fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2010		
Current year set-aside requirement	\$ 82,522	\$82,522
Contributions in excess of the current fiscal year set-aside requirement		
Current year qualifying expenditures	(102,787)	(75,998)
Excess qualified expenditures from prior years	(179,397)	
Current year offsets		(84,451)
Waiver granted by ODE		
Prior year offset from bond proceeds		
Total	<u>(\$199,662)</u>	<u>(\$77,927)</u>
Balance carried forward to fiscal year 2012		
Set-aside reserve balance June 30, 2011		

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. SET-ASIDES (Continued)

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

15. OTHER COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 35,301
Permanent improvement	3,130
Classroom facilities	215,187
Other governmental	41,059
	<u>\$294,677</u>

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture					
<i>Passed through Ohio Department of Education</i>					
Nutrition Cluster:					
National School Breakfast Program	10.553	\$3,890		\$3,890	
National School Lunch Program	10.555	67,031	\$5,481	67,031	\$5,481
Total Nutrition Cluster/U.S. Department of Agriculture		70,921	5,481	70,921	5,481
U.S. Department of Education					
<i>Passed through Ohio Department of Education</i>					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	75,833		75,833	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	29,781		29,781	
Total Title I Part A Cluster		105,614		105,614	
Special Education - Grants to States	84.027	90,696		93,243	
		90,696		93,243	
Educational Technology State Grants	84.318	67		67	
Rural Education	84.358	58,793		58,793	
Improving Teacher Quality State Grants	84.367	19,423		19,644	
ARRA State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	176,675		176,675	
Total U.S. Department of Education		451,268		454,036	
Total Federal Financial Assistance		\$522,189	\$5,481	\$524,957	\$5,481

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Newton Local School District
Miami County
201 North Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, (the District) as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 19, 2012, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles and adopted the provisions of Governmental Accounting Standard Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions*. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 19, 2012.

The District's response to Finding 2011-001 identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Education and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 19, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Newton Local School District
Miami County
201 North Long Street
Pleasant Hill, Ohio 45359

To the Board of Education:

Compliance

We have audited the compliance of Newton Local School District, Miami County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Newton Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

As described in finding 2011-002 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding reporting applicable to its Title I Part A Cluster major federal programs. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Newton Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal program for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-002 to be a material weakness.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 19, 2012.

The District's response to the Finding 2011-002 we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

March 19, 2012

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COST
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: Title I Grants to Local Educational Agencies: CFDA #84.010 ARRA – Title I Grants to Local Educational Agencies – Recovery Act - CFDA #84.389 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants – Recovery Act: CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2011-001

NONCOMPLIANCE

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not described a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its annual financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare its annual financial reports in accordance with generally accepted accounting principles.

Officials' Response: The District did not respond.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2011-002
CFDA Title and Number	Title I, Part A Cluster -Title I Grant to Local Educational Agencies CFDA #84.010 - ARRA Title I Grants to Local Educational Agencies CFDA #84.389
Federal Agency	US Department of Education
Pass-through Agency	Ohio Department of Education

NONCOMPLIANCE/QUESTIONED COST/MATERIAL WEAKNESS

34 CFR 80.20 Section 6 states accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.

The Title I, Part A Cluster grant expenditures reported on the fiscal year 2011 Final Expenditure Reports (FER) submitted to the Ohio Department of Education (ODE) did not agree to the District's actual grant expenditures for payroll (Object Code 100). For the final expenditure reports reviewed, the following variances were noted:

	<u>Reported Total</u>	<u>Actual Total</u>	<u>Variance</u>
Title I FER – Payroll	\$53,150	\$49,819	\$ 3,331
Title I ARRA FER - Payroll	29,781	21,000	8,781
Total	<u>\$82,931</u>	<u>\$70,819</u>	<u>\$12,112</u>

FINDING NUMBER 2011-002
(Continued)

These variances resulted in questioned costs totaling \$12,112 for reported payroll expenditures that did not agree to supporting payroll documentation.

Policies and procedures should be established and implemented to verify that final expenditure reports submitted to ODE are accurate. Failure to do so could result in loss of grant revenues.

Officials' Response: Refer to page 52 for the District's Corrective Action Plan.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-002	The District used the funds to pay for subs and tutors for reading recovery, but we did not document on the pay sheets for the grant. The District will document on the pay sheets and complete a Time and Effort Certification in the future for verification.	Immediate	Nick Hamilton, Treasurer

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) – Filing of annual financial statements in accordance with GAAP	No	Repeated as Finding 2011-001

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Newton Local School District
Miami County
201 North Long Street
Pleasant Hill, Ohio 45359

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 16, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

March 19, 2012

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Dave Yost • Auditor of State

NEWTON LOCAL SCHOOL DISTRICT

MIAMI 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
MAY 8, 2012**