



Dave Yost • Auditor of State

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, Ohio (the District), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2013 and 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis for fiscal year 2013 includes tables of net position, changes in net position, and governmental activities, and for fiscal year 2012 includes tables of net cash assets, change in net cash assets, governmental activities, governmental fund cash balances, general fund cash receipts and disbursements, and long term debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are 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 & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

Columbus, Ohio

January 16, 2014

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

This 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 fiscal year ended June 30, 2013, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for fiscal year 2013 are as follows:

- Net position of governmental activities decreased \$37,016, or about 1 percent.
- The District's receipts are primarily property and income taxes and unrestricted intergovernmental receipts and contributions, which accounted for about 81 percent of the total cash received during fiscal year 2013 of \$6,702,920. Program specific revenues in the form of charges for services and sales, and operating grants and contributions and capital grants and contributions and interest accounted for \$1,242,434 were almost 19 percent of total revenues for fiscal year 2013. The remaining receipts were investment earnings and miscellaneous receipts, which were less than 1 percent of total receipts.

Using the Basic Financial Statements

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

Report Components

The statement of net position – cash basis and the statement of activities – cash basis provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Reporting the District as a Whole

The statement of net position – cash basis and the statement of activities – cash basis reflect how the District did financially during the fiscal year, within the limitations of cash basis accounting. The statement of net position – cash basis presents the cash balances of the District at fiscal year-end. The statement of activities – cash basis compares cash disbursements with program receipts for the District's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational and capital requirements of the program.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position are indicators of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors such as the condition of the District's capital assets and the reliance on non-local financial resources for operations.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its activities and to help demonstrate that restricted money is being spent for the intended purpose. The fund financial statements provide a detailed view of the District's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the District's activities. The District's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund.

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal years 2012 and 2013 on a cash basis:

Table 1 Net Position		
	2013	2012
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$2,995,754	\$3,002,347
Cash in Segregated Accounts		30,423
Total Assets	2,995,754	3,032,770
Net Position:		
Restricted for:		
Debt Service	543,267	525,869
Capital Outlay	368,823	389,995
Other Purposes	229,009	253,011
Unrestricted	1,854,655	1,863,895
Total Net Position	\$2,995,754	\$3,032,770

As mentioned previously, net position of governmental activities decreased \$37,016, or 1 percent during fiscal year 2013.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Table 2 reflects the changes in net position in fiscal year 2013, along with a comparative analysis of the changes in net position for fiscal year 2012.

**Table 2
Changes in Net Position**

	Governmental Activities 2013	Governmental Activities 2012
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 877,476	\$ 752,686
Operating Grants and Contributions	364,736	633,687
Capital Grants and Contributions	222	
Total Program Receipts	<u>1,242,434</u>	<u>1,386,373</u>
General Receipts:		
Property and Other Local Taxes	1,811,144	1,804,374
Income Taxes	1,247,409	1,216,753
Grants and Entitlements Not Restricted to Specific Programs	2,393,054	2,305,942
Interest	2,402	1,874
Miscellaneous	6,477	8,849
Total General Receipts	<u>5,460,486</u>	<u>5,337,792</u>
Total Receipts	<u>6,702,920</u>	<u>6,724,165</u>
Disbursements:		
Instruction:		
Regular	2,463,230	2,370,687
Special	431,258	421,488
Vocational	424	534
Other	337,451	296,827
Support Services:		
Pupils	184,407	120,618
Instructional Staff	285,363	279,472
Board of Education	1,683	4,844
Administration	669,806	646,695
Fiscal	192,298	217,079
Business		
Operation and Maintenance of Plant	558,097	659,530
Pupil Transportation	300,043	249,785
Central	13,807	6,472
Operation of Non-instructional Services	248,428	244,383
Extracurricular Activities	348,495	311,214
Capital Outlay	54,241	383,120
Debt Service:		
Principal Retirement	284,485	363,630
Interest and Fiscal Charges	366,420	289,505
Total Disbursements	<u>6,739,936</u>	<u>6,865,883</u>
Decrease in Net Position	(37,016)	(141,718)
Net Assets, July 1	3,032,770	3,174,488
Net Assets, June 30	<u>\$2,995,754</u>	<u>\$3,032,770</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Property and income taxes accounted for 45.6 percent of the District's receipts in fiscal year 2013. Unrestricted intergovernmental grants and contributions accounted for 35.7 percent of the total cash received in fiscal year 2013. Program specific revenues in the form of charges for services, operating grants and contribution, and capital grants and contributions accounted for \$1,242,434, or 18.5 percent of total revenues in fiscal year 2013. Investment earnings and miscellaneous receipts accounted for less than one percent of total receipts in fiscal year 2013.

Instruction accounted for approximately 48 percent of total cash disbursements for fiscal year 2013, with regular instruction comprising 37 percent of total disbursements. Support services accounted for 33 percent of disbursements during fiscal year 2013.

If you look at the Statement of Activities – Cash Basis on page 14, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Cash Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by property taxes, unrestricted State entitlements and investment earnings.

	2013		2012	
	Total Cost	Net Cost	Total Cost	Net Cost
Instruction:				
Regular	\$2,463,230	\$1,765,072	\$2,370,687	\$1,696,727
Special	431,258	278,229	421,488	101,039
Vocational	424	(7,239)	534	(6,495)
Other	337,451	337,451	296,827	296,827
Support Services:				
Pupils	184,407	156,524	120,618	84,901
Instructional Staff	285,363	285,363	279,472	252,915
Board of Education	1,683	1,683	4,844	4,844
Administration	669,806	656,572	646,695	640,007
Fiscal	192,298	188,698	217,079	213,479
Business				
Operation and Maintenance of Plant	558,097	558,097	659,530	657,635
Pupil Transportation	300,043	300,043	249,785	249,785
Central	13,807	7,404	6,472	1,394
Operation of Non-Instructional Services	248,428	30,883	244,383	30,556
Extracurricular Activities	348,495	233,798	311,214	219,641
Capital Outlay	54,241	54,019	383,120	383,120
Debt Service:				
Principal Retirement	284,485	284,485	363,630	363,630
Interest and Fiscal Charges	366,420	366,420	289,505	289,505
Total	\$6,739,936	\$5,497,502	\$6,865,883	\$5,479,510

Charges for services and sales, and operating grants and contributions and capital grants and contributions of about 19 percent of total cash receipts were received and used to fund the expenses of the District during fiscal year 2013. The remaining 81 percent of cash receipts were from property and income taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

The District's Funds

All funds of the District are governmental funds. Total funds cash receipts were \$6,702,920 and total fund disbursements were \$6,739,936 for fiscal year 2013. The greatest change within the funds occurred in the Classroom Facilities Fund, which had a decrease of \$39,818 in fund balance in fiscal year 2013 due to payments to contractors.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the District amended its General Fund budget once. The original budget basis revenue was \$5,247,271 and the final budget basis revenue was \$5,374,230. The original budget basis expenditures were \$4,928,968 and the final budget basis expenditures were \$5,496,780.

During fiscal year 2013, the District budgeted \$1,176,140 and received \$1,176,140 in property taxes and budgeted \$2,279,856 and received \$2,279,856 in intergovernmental revenues in the General Fund. During fiscal year 2012, the District budgeted \$1,166,082 and received \$1,166,081 in property taxes and budgeted \$2,319,098 and received \$2,319,098 in intergovernmental revenues in the General Fund.

Capital Assets

The District tracks its capital assets on the State EIS system.

Debt Administration

At June 30, 2012, the District had \$6,465,000 in current interest general obligation bonds outstanding and \$129,998 in capital appreciation bonds outstanding. These bonds are school facilities construction bonds and advance refunding bonds. During fiscal year 2013, the District paid \$170,000 in principal on the current interest bonds and \$74,999 in principal on the capital appreciation bonds. At June 30, 2013, the District had \$6,295,000 outstanding in current interest bonds and \$54,999 outstanding in capital appreciation bonds.

At June 30, 2012, the District also had a tax anticipation note outstanding in the amount of \$ 250,430. These notes were issued to help finance the construction of public school facilities. During fiscal year 2013, \$39,486 was repaid on the notes. The balance outstanding on the note at June 30, 2013 was \$210,944. For more information on the District's debt see note 11 of the notes to the financial statements.

Current Issues

The Board continues to use budgetary controls to monitor its 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 academically.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Contacting the District's Financial Management

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,995,754
Total Assets	<u><u>\$2,995,754</u></u>
Net Position:	
Restricted for:	
Debt Service	\$543,267
Capital Outlay	368,823
Other Purposes	229,009
Unrestricted	1,854,655
Total Net Position	<u><u>\$2,995,754</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, 2013**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions, and Interest	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$2,463,230	\$623,980	\$74,178		(\$1,765,072)
Special	431,258	31,110	121,919		(278,229)
Vocational	424		7,663		7,239
Other	337,451				(337,451)
Support Services:					
Pupil	184,407		27,883		(156,524)
Instructional Staff	285,363				(285,363)
Board of Education	1,683				(1,683)
Administration	669,806		13,234		(656,572)
Fiscal	192,298		3,600		(188,698)
Operation and Maintenance of Plant	558,097				(558,097)
Pupil Transportation	300,043				(300,043)
Central	13,807		6,403		(7,404)
Operation of Non-Instructional Services	248,428	137,857	79,688		(30,883)
Extracurricular Activities	348,495	84,529	30,168		(233,798)
Capital Outlay	54,241			\$222	(54,019)
Debt Service:					
Principal	284,485				(284,485)
Interest	366,420				(366,420)
Totals	\$6,739,936	\$877,476	\$364,736	\$222	(5,497,502)

General Receipts:

Property Taxes Levied for:

General Purposes	1,176,140
Debt Service	535,445
Capital Outlay	72,400
Classroom Maintenance	27,159
Income Taxes Levied for General Purposes	1,247,409
Grants and Entitlements not Restricted to Specific Programs	2,393,054
Interest	2,402
Miscellaneous	6,477
Total General Receipts	5,460,486
Change in Net Position	(37,016)
Net Position Beginning of Year	3,032,770
Net Position End of Year	2,995,754

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,854,655	\$543,267	\$313,889	\$283,943	\$2,995,754
Total Assets	<u>1,854,655</u>	<u>543,267</u>	<u>313,889</u>	<u>283,943</u>	<u>2,995,754</u>
Fund Balances:					
Restricted		543,267	313,889	283,943	1,141,099
Assigned	6,917				6,917
Unassigned	1,847,738				1,847,738
Total Fund Balances	<u>1,854,655</u>	<u>543,267</u>	<u>313,889</u>	<u>283,943</u>	<u>2,995,754</u>
Total Liabilities and Fund Balances	<u>\$1,854,655</u>	<u>\$543,267</u>	<u>\$313,889</u>	<u>\$283,943</u>	<u>\$2,995,754</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$1,176,140	\$535,445		\$99,559	\$1,811,144
Income Tax	1,247,409				1,247,409
Intergovernmental	2,279,856	91,422		331,893	2,703,171
Interest	2,402		\$222		2,624
Tuition and Fees	563,747				563,747
Extracurricular Activities	21,540			62,989	84,529
Contributions and Donations	30,218			17,998	48,216
Customer Sales and Services				136,970	136,970
Rent	1,000				1,000
Miscellaneous	96,820			7,290	104,110
Total Receipts	<u>5,419,132</u>	<u>626,867</u>	<u>222</u>	<u>656,699</u>	<u>6,702,920</u>
Disbursements:					
Current:					
Instruction:					
Regular	2,390,673			72,557	2,463,230
Special	297,385			133,873	431,258
Vocational	424				424
Other	337,451				337,451
Support Services:					
Pupil	151,607			32,800	184,407
Instructional Staff	276,796			8,567	285,363
Board of Education	1,683				1,683
Administration	666,806			3,000	669,806
Fiscal	177,854	9,144		5,300	192,298
Operation and Maintenance of Plant	503,340			54,757	558,097
Pupil Transportation	300,043				300,043
Central				13,807	13,807
Operation of Non-Instructional Services	39,683			208,745	248,428
Extracurricular Activities	284,627			63,868	348,495
Capital Outlay			40,040	14,201	54,241
Debt Service:					
Principal		244,999		39,486	284,485
Interest		355,326		11,094	366,420
Total Disbursements	<u>5,428,372</u>	<u>609,469</u>	<u>40,040</u>	<u>662,055</u>	<u>6,739,936</u>
Excess of Receipts Over (Under) Disbursements	(9,240)	17,398	(39,818)	(5,356)	(37,016)
Fund Balances Beginning of Year	<u>1,863,895</u>	<u>525,869</u>	<u>353,707</u>	<u>289,299</u>	<u>3,032,770</u>
Fund Balances End of Year	<u>\$1,854,655</u>	<u>\$543,267</u>	<u>\$313,889</u>	<u>\$283,943</u>	<u>\$2,995,754</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$1,175,011	\$1,176,140	\$1,176,140	
Income Taxes	1,275,000	1,247,409	1,247,409	
Intergovernmental	2,266,410	2,279,856	2,279,856	
Tuition and Fees	522,000	540,460	540,460	
Interest	1,600	2,327	2,402	\$75
Gifts and Donations	250	30,218	30,218	
Rent	1,000	1,000	1,000	
Miscellaneous	6,000	96,820	96,820	
Total Receipts	<u>5,247,271</u>	<u>5,374,230</u>	<u>5,374,305</u>	<u>75</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,444,357	2,368,930	2,367,439	1,491
Special	207,564	297,385	297,385	
Vocational	696	424	424	
Other	17,900	337,451	337,451	
Support Services:				
Pupil	99,593	151,607	151,607	
Instructional Staff	266,290	284,893	276,796	8,097
Board of Education	5,729	1,683	1,683	
Administration	660,395	639,457	634,767	4,690
Fiscal	191,028	219,526	177,854	41,672
Business	750			
Operation and Maintenance of Plant	584,663	567,075	503,340	63,735
Pupil Transportation	233,736	302,944	300,043	2,901
Operational of Non-Instructional Services	4,490	39,683	39,683	
Extracurricular Activities	211,777	285,722	284,627	1,095
Total Disbursements	<u>4,928,968</u>	<u>5,496,780</u>	<u>5,373,099</u>	<u>123,681</u>
Excess of Receipts Over (Under) Disbursements	318,303	(122,550)	1,206	123,756
Fund Balance Beginning of Year	1,759,923	1,759,923	1,759,923	
Prior Year Encumbrances Appropriated	<u>86,608</u>	<u>86,608</u>	<u>86,608</u>	
Fund Balance End of Year	<u>\$2,164,834</u>	<u>\$1,723,981</u>	<u>\$1,847,737</u>	<u>\$123,756</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$57,444	\$26,417
Liabilities:		
Due to Students	_____	\$26,417
Net Position:		
Held in Trust for Scholarships	57,444	
	\$57,444	

See accompanying notes to the basic financial statements.

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE30, 2013

	<u>Private Purpose Trust</u>
Net Position - Beginning of Year	<u>\$57,444</u>
Net Position - End of Year	<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, 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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 five member Board form of government and provides educational services as mandated by state and federal agencies.

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. The School District currently operates one instructional-administrative building and one bus garage.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable and for which a financial benefit or burden relationship exists. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District is financially accountable for an organization if an organization is fiscally dependent on the District and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the District regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Newton Local School District has no component units.

The School District participates in three jointly governed organizations and an insurance purchasing pool. A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies. These organizations are discussed in Notes 12 and 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts.

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- 1) Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- 2) Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

1. Governmental Fund Types

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement Fund accounts for property tax revenues and State exemption reimbursements collected for the payment of general obligation bonded debt.

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.

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

2. Fiduciary Fund Type

Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. 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 for students. 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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

The District's basic financial statements consist of a government-wide statement of net position – cash basis and a statement of activities – cash basis, and fund financial statements providing more detailed financial information.

1. Government-wide Financial Statements:

The statement of net position – cash basis and the statement of activities –cash basis displays 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 – cash basis compares disbursements with program receipts for each function of the District's governmental activities. These disbursements 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 program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general receipts.

2. Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are presented by fund type.

C. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and appropriation resolution, which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that was in effect at the time final appropriations were passed by the Board.

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

E. Cash and Cash Equivalents

The District pools cash from all funds for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The District values investments and cash equivalents at cost.

The District has invested funds in non-negotiable certificates of deposit (CD's) and the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2013.

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, 2013.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipted into the General Fund during fiscal year 2013 was \$2,402 including \$942 assigned from other District funds.

For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory and Prepaid Items

On the cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

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 enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

Committed – Fund balance is reported as committed when the Board of Education of the District has placed constraints on the use of resources by resolution.

Assigned – Fund balance is reported as assigned when the Treasurer has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not restricted, committed or assigned to a specific purpose. In other 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 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 Position

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

K. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

L. Long-Term Debt

Under Ohio law, a debt service fund must be created and used for the payment of tax and receipt anticipation notes. Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

M. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets in proprietary funds are recorded as receipts when the grant money is received.

N. Receipts, Disbursements, and Expenses

Program Receipts

In the statement of activities – cash basis, receipts that are derived directly from each activity or from parties outside the District’s taxpayers are reported as program receipts. The District has the following program receipts: charges for services and sales, operating and capital grants, and contributions. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

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 position/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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Change in Accounting Principles

For the year ended June 30, 2013, the School District has implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and 34." This statement modifies certain requirements for inclusion of component units in the financial reporting entity. As a result of implementing GASB Statement No. 61, the reporting entity note disclosure has been changed. Also, for the year ended June 30, 2013, the School District has implemented GASB Stmt No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement provides guidance for reporting deferred outflows of resources and deferred inflows of resources. It also renames net assets to net position. As a result of implementing GASB Statement No. 63, the presentation of the financial statements and note disclosure has changed to show the difference between assets and liabilities as net position, instead of net assets.

The implementation of these statements had no effect on fund balance/net position as previously reported for the year ended June 30, 2012.

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, but not limited to, passbook accounts.

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.

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;

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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 division (1) or (2) 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 bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage and 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information discloses the risks associated with the School District's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

A. Deposits

At June 30, 2013, the carrying amount of the School District's deposits was \$309,760 and the bank balance was \$421,095. The entire bank balance at June 30, 2013 was covered by federal depository insurance.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of June 30, 2013, the School District had \$2,769,855 invested in STAR Ohio.

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.

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issuer. At June 30, 2013, 100% of the District's investments were in STAR Ohio.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. STAR Ohio money market carries 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.

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

	Cash and Cash Equivalents/Deposits
GASB Statement No. 9	\$3,079,615
Investments:	
STAR Ohio	(2,769,855)
GASB Statement No. 3	\$ 309,760

5. 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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2013 represents collections of 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represent collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. PROPERTY TAXES (Continued)

The District receives property taxes from Darke and Miami County. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$66,017,240	97.93%	\$66,060,150	97.80%
Public Utility – Personal	1,397,470	2.07%	1,487,660	2.20
Total Assessed Value	<u>\$67,414,710</u>	<u>100.00%</u>	<u>\$67,547,810</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.10		\$47.10	

6. INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of 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 receipts credited to the General Fund for fiscal year 2013 were \$1,247,409.

7. 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 2013 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 at June 30, 2013 includes the following:

Building and Contents – at replacement cost (\$2,500 deductible)	\$23,305,000
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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. RISK MANAGEMENT (Continued)

Employer's Liability and Stop Gap	
Each Employee	1,000,000
Aggregate Limit	3,000,000
Errors and Omissions Liability (\$2,500 deductible)	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000

There has been no significant reduction in insurance coverage from last fiscal year, nor have there been any claims in excess of coverage limits in any of the past three years.

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 2013, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 13). 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 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.

8. PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. PENSION PLANS (Continued)

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 to only their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2013, 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 the DB Plan for the fiscal years ended June 30, 2013, 2012, and 2011 were \$334,488, \$295,223, and \$299,080, respectively; 87 percent has been contributed fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal years 2013 and 2012 were \$14,339 and \$7,309 respectively, made by the District and \$10,242 and \$5,221, respectively made by the plan members.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate of 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 2013, 13.1 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$95,304, \$85,073, and \$78,878, respectively; 60 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. For the fiscal year ended June 30, 2013, certain members of the Board of Education members have elected Social Security. The Governing Board's liability is 6.2 percent of wages.

9. POST-EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publication" or by calling (888) 227-7877.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2013, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$25,730 for fiscal year 2013, \$22,709 for fiscal year 2012, and \$23,006 for fiscal year 2011; 87 percent has been contributed fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (3309.69). 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 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month, depending on income; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was .74 percent. The District's contributions for the fiscal years ended June 30, 2013, June 30, 2012, and June 30, 2011 were \$5,384, \$5,024, and \$5,076, respectively, 60 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, 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 ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 1051. Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2013, the health care allocation was .16 percent of covered payroll, respectively. The actuarially required contribution as of the December 31, 2006 annual valuation was 11.50% of covered payroll. The actuarially required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2013, the minimum pay was established at \$20,525. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2013, 2012, and 2011 fiscal years equaled \$11,003, \$3,684, and \$9,551, respectively; 60 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The SERS Retirement Board establishes 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.

The financial reports of SERS' Health care and Medicare B Plans are included in its stand-alone report. That report may be obtained by visiting the SERS website at ww.ohsers.org under Employers/Audit Resource.

10. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Cash Balance – Budget (Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The differences between the budget basis and cash basis are:

- (1) outstanding year-end encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (cash), and,
- (2) Perspective differences – activity of some funds is included with the General Fund on the cash basis because those funds do not meet the requirements to be presented as a separate fund. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the General Fund.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the year ended June 30, 2013:

General Fund – FY 2013	
Net Change in Fund Balance:	
Cash Basis	(\$9,240)
Perspective Difference	10,446
Budget Basis	\$ 1,206

11. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Additions	Reductions	Principal Outstanding 6/30/13	Amounts Due in One Year
General Obligations:					
2008 School facilities construction and advanced refunding bonds					
Current interest bonds	\$6,465,000		(\$170,000)	\$6,295,000	\$170,000
Capital appreciation bonds	129,998		(74,999)	54,999	31,517
Accreted interest	219,375	\$79,737	(90,001)	209,111	143,483
Total General Obligation Bonds	6,814,373	79,737	(335,000)	6,559,110	345,000
Tax anticipation note	250,430		(39,486)	210,944	40,361
Total General Obligations	\$7,064,803	\$79,737	(\$374,486)	\$6,770,054	\$385,361

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).

The Series 2008 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 debt service fund.

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

Tax Anticipation Notes – On April 17, 2008, the School 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 were 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 (a non-major governmental fund).

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the long-term obligations at June 30, 2013 are as follows:

Fiscal Year Ending June 30,	Current Interest School Improvement and Refunding Bonds			Capital Appreciation School Improvement and Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	185,000	230,975	415,975			
2018	190,000	223,575	413,575			
2019-2023	1,085,000	996,475	2,081,475			
2024-2028	1,330,000	758,912	2,088,912			
2029-2033	1,635,000	459,539	2,094,539			
2034-2036	1,160,000	100,088	1,260,088			
Total	<u>\$6,295,000</u>	<u>\$3,526,665</u>	<u>\$9,821,665</u>	<u>\$54,999</u>	<u>\$295,001</u>	<u>\$350,000</u>

Tax Anticipation Notes			
Fiscal year Ending June 30	Principal	Interest	Total
2014	\$ 40,361	\$ 9,344	\$ 49,705
2015	41,255	7,556	48,811
2016	42,169	5,730	47,899
2017	43,102	3,861	46,963
2018	44,057	1,952	46,009
Total	<u>\$210,944</u>	<u>\$28,443</u>	<u>\$239,387</u>

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 un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property tax valuation of the District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530, which became effective March 20, 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. At June 30, 2013, the District had \$63,460 voted debt margin and an un-voted debt margin of \$67,548.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS

A. 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. The District paid MDECA \$28,835 for services provided during the fiscal ended June 30, 2013. Financial information can be obtained from Dean Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 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. The District paid the SOEPC \$522 for membership fees in fiscal year 2013. 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, OH 45377.

C. 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, 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, 2013
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (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. The District paid \$490 to SOITA during fiscal year 2013. 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

13. INSURANCE PURCHASING POOL

The School 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 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.

14. SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following information describes the change in the fiscal year-end 2013 set-aside amounts for capital improvements and textbooks/instructional materials.

	Capital Acquisition
Set-Aside Balance as of June 30, 2012	
Current Year Required Set-aside	\$100,740
Current Year Offsets	(100,740)
Current Year Qualifying Disbursements	(81,932)
Total	(\$ 81,932)
Set-Aside Balance Carried Forward to FY 2014	0
Set-Aside Balance as of June 30, 2013	0

The District had offsets and qualifying disbursements during the fiscal years that reduced the capital improvements set-asides below zero. These extra amounts may not be used to reduce the set-aside requirements in future fiscal years.

15. CONTINGENCIES

The District receives financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

16. FUND BALANCE

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2013 were as follows:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:					
Classroom Facilities			\$313,889		\$ 313,889
Debt Retirement		\$543,267			543,267
Capital Improvements				\$ 48,194	48,194
Building Fund				6,740	6,740
Classroom Facilities Maintenance				53,528	53,528
Student Awards				69,168	69,168
Food Service Operations				83,887	83,887
Athletics				22,426	22,426
Total Restricted		543,267	313,889	283,943	1,141,099
Assigned for:					
School Supplies	\$ 862				862
Public School Support	6,055				6,055
Total Assigned	6,917				6,917
Unassigned	1,847,738				1,847,738
Total Fund Balance	<u>\$1,854,655</u>	<u>\$543,267</u>	<u>\$313,889</u>	<u>\$283,943</u>	<u>\$2,995,754</u>

17. 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 at June 30, 2013, were as follows:

<u>Fund Type</u>	<u>June 30, 2013 Encumbrances</u>
Other Governmental	\$35
Totals	<u>\$35</u>

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012, 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 2012 are as follows:

- The total net cash assets of the District decreased \$141,718 or 4.46% from fiscal year 2011.
- General cash receipts accounted for \$5,337,792 or 79.38% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,386,373 or 20.62% of total governmental activities cash receipts.
- The District had \$6,865,883 in cash disbursements related to governmental activities; \$1,386,373 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, and classroom facilities capital projects fund. The general fund had cash receipts of \$5,257,055 in 2012. The cash disbursements of the general fund totaled \$5,038,846 in 2012. The general fund's cash balance increased \$218,209 or 13.26% from 2011 to 2012.
- The bond retirement fund, a District major fund, had cash receipts of \$632,583 in 2012. The bond retirement fund had cash disbursements of \$611,215 in 2012. The bond retirement fund cash balance increased \$21,368 or 4.24% from 2011 to 2012.
- The classroom facilities capital projects fund, a District major fund, had cash receipts of \$174 in 2012. The classroom facilities capital projects fund had cash disbursements of \$348,464 in 2012. The classroom facilities capital projects fund cash balance decreased \$348,290 or 49.61% from 2011 to 2012.

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 three major governmental funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 2012?” 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 modified cash basis of accounting.

In the statement of net assets –cash basis and statement of activities –cash basis the governmental activities include School 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 47-48 of this report.

Reporting the School 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, and the classroom facilities capital projects fund. The analysis of the District’s major governmental funds begins on page 44.

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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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 49-50 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 51 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 52-53. 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 55-74 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, 2012 and June 30, 2011.

	Net Cash Assets	
	Governmental Activities 2012	Governmental Activities 2011
Assets:		
Equity in pooled cash and cash equivalents	\$3,002,347	\$3,048,996
Cash in segregated accounts	30,423	125,492
Total assets	3,032,770	3,174,488
Net Cash Assets:		
Restricted	1,168,875	1,528,802
Unrestricted	1,863,895	1,645,686
Total net cash assets	\$3,032,770	\$3,174,488

The total net cash assets of the School District decreased \$141,718 which represents a 4.46% decrease from fiscal year 2011. This net decrease primarily was due to the School District's Ohio School Facilities construction project. The balance of government-wide unrestricted net cash assets of \$1,863,895 may be used to meet the District's ongoing obligations to citizens and creditors.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

	Change in Net Cash Assets	
	Governmental Activities 2012	Governmental Activities 2011
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 752,686	\$ 652,785
Operating grants and contributions	633,687	676,465
Capital grants and contributions		54,795
Total program cash receipts	<u>1,386,373</u>	<u>1,384,045</u>
General cash receipts:		
Property and other taxes	3,021,127	2,878,114
Unrestricted grants:		
Operating	2,305,942	2,343,110
Investment earnings	1,874	3,521
Other	8,849	81,959
Total general cash receipts	<u>5,337,792</u>	<u>5,306,704</u>
Total cash receipts	<u>6,724,165</u>	<u>6,690,749</u>
Cash Disbursements:		
Instruction:		
Regular	2,370,687	2,614,135
Special	421,488	413,596
Vocational	534	657
Other	296,827	134,062
Support services:		
Pupil	120,618	198,989
Instructional staff	279,472	446,765
Board of education	4,844	5,530
Administration	646,695	696,467
Fiscal	217,079	247,205
Business		161
Operations and maintenance	659,530	992,999
Pupil transportation	249,785	209,980
Central	6,472	3,493
Operation of non-instructional services	52,415	59,807
Food service operations	191,968	194,983
Extracurricular	311,214	285,072
Facilities acquisition and construction	383,120	4,915,235
Debt service:		
Principal retirement	363,630	472,793
Interest and fiscal charges	289,505	304,505
Total cash disbursements	<u>6,865,883</u>	<u>12,196,434</u>
Change in net cash assets	(141,718)	(5,505,685)
Net cash assets at beginning of year	3,174,488	8,680,173
Net cash assets at end of year	<u>\$3,032,770</u>	<u>\$3,174,488</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

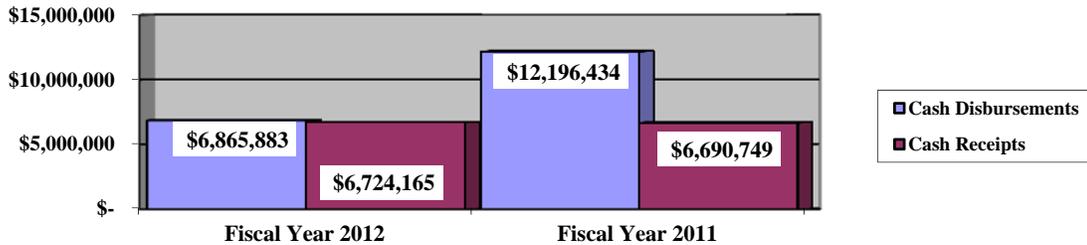
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Governmental Activities

Governmental cash assets decreased by \$141,718 in 2012 from 2011. Total governmental disbursements of \$6,865,883 were offset by program receipts of \$1,386,373 and general receipts of \$5,337,792. Program receipts supported 20.19% of the total governmental disbursements. The largest governmental disbursement was instructional expenditures which totaled \$3,089,536. The decrease in facilities and acquisition and construction is due to completion of construction projects in fiscal year 2012.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 79.22% of total governmental receipts. Real estate property is reappraised every six years.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



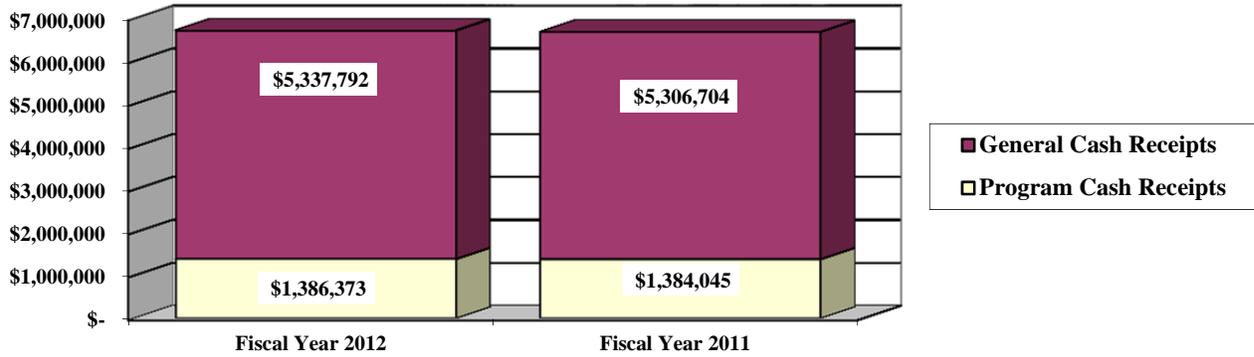
	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012	2012	2011	2011
Cash disbursements:				
Instruction:				
Regular	\$2,370,687	\$1,696,727	\$2,614,135	\$2,094,915
Special	421,488	101,039	413,596	147,614
Vocational	534	(6,495)	657	657
Other	296,827	296,827	134,062	132,582
Support services:				
Pupil	120,618	84,901	198,989	171,906
Instructional staff	279,472	252,915	446,765	411,984
Board of education	4,844	4,844	5,530	5,530
Administration	646,695	640,007	696,467	688,096
Fiscal	217,079	213,479	247,205	243,821
Business			161	161
Operations and maintenance	659,530	657,635	992,999	817,442
Pupil transportation	249,785	249,785	209,980	209,980
Central	6,472	1,394	3,493	(866)
Operation of non-instructional services	52,415	51,238	59,807	57,623
Food service operations	191,968	(20,682)	194,983	(51)
Extracurricular	311,214	219,641	285,072	193,257
Facilities acquisition and construction	383,120	383,120	4,915,235	4,860,440
Debt service:				
Principal retirement	363,630	363,630	472,793	472,793
Interest and fiscal charges	289,505	289,505	304,505	304,505
Total	\$6,865,883	\$5,479,510	\$12,196,434	\$10,812,389

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

The dependence upon general cash receipts for governmental activities is apparent; with 20.19% of cash disbursements supported through program cash receipts during 2012.

Governmental Activities – General and Program Cash Receipts



Financial Analysis of the District'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 \$3,032,770, which is \$141,718 below last year's total of \$3,174,488. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2012 and June 30, 2011, for all major and non-major governmental funds.

	Fund Cash Balance June 30, 2012	Fund Cash Balance June 30, 2011	Increase/ (Decrease)
General	\$1,863,895	\$1,645,686	\$218,209
Bond retirement	525,869	504,501	21,368
Classroom facilities	353,707	701,997	(348,290)
Other non-major governmental funds	289,299	322,304	(33,005)
Total	\$3,032,770	\$3,174,488	(\$141,718)

General Fund

The School District's major funds are the general fund, bond retirement fund, and the classroom facilities capital projects fund. The general fund had cash receipts of \$5,257,055 in 2012. The cash disbursements of the general fund totaled \$5,038,846 in 2012. The general fund's cash balance increased \$218,209 or 13.26% from 2011 to 2012.

The table that follows assists in illustrating the cash receipts of the general fund.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

	2012 Amount	2011 Amount	Percentage Change	
Cash Receipts:				
Taxes	\$2,382,834	\$2,229,663	6.87	%
Tuition	496,025	415,743	19.31	%
Earnings on investments	1,700	3,284	(48.23)	%
Other local revenues	57,398	54,572	5.18	%
Intergovernmental	2,319,098	2,350,401	(1.33)	%
Total	\$5,257,055	\$5,053,663	4.02	%

Overall, revenue in the general fund remained relatively stable, with an increase of only 4.02 %. Tuition increased due to an increase in open enrollment.

The table that follows assists in illustrating the expenditures of the general fund.

	2012 Amount	2011 Amount	Percentage Change
Cash Disbursements:			
Instruction	\$2,755,906	\$2,943,401	(6.37)
Support services	1,989,606	1,946,141	2.23
Operation of non-instruction	50,915	58,057	(12.30)
Extracurricular	242,419	208,557	16.24
Total	\$5,038,846	\$5,156,156	(2.28)

The decrease in instructional disbursements was due, in part, to a decrease in wage and benefit costs, primarily due to cost saving measures.

Bond Retirement Fund

The bond retirement fund, a District major fund, had cash receipts of \$632,583 in 2012. The bond retirement fund had cash disbursements of \$611,215 in 2012. The bond retirement fund cash balance increased \$21,368 or 4.24% from 2011 to 2012.

Classroom Facilities Fund

The classroom facilities capital projects fund, a District major fund, had cash receipts of \$174 in 2012. The classroom facilities capital projects fund had cash disbursements of \$348,464 in 2012. The classroom facilities capital projects fund cash balance decreased \$348,290 or 49.61% from 2011 to 2012.

Budgeting Highlights – General Fund

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

For the general fund, final budgetary basis receipts of \$5,209,158 were higher than the original budget estimates of \$4,987,179. Actual cash receipts were \$5,209,314.

The final budgetary basis disbursements of \$5,081,921 were less than the original budget estimates of \$5,107,444. The actual budgetary basis disbursements were \$5,082,681.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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 \$383,120 during fiscal year 2012.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2012 and 2011:

	Governmental Activities 2012	Governmental Activities 2011
Refunding bonds – Series 2008		
Current interest bonds	\$6,465,000	\$6,790,000
Capital appreciation bonds	129,998	129,998
Accreted interest	219,375	146,666
Tax anticipation note	250,430	289,060
Total long-term obligations	<u>\$7,064,803</u>	<u>\$7,355,724</u>

Refer to Note 7 to the basic financial statements for further detail.

Current Financial Related Activities

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 School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the 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, 2012**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,002,347
Cash in segregated accounts	30,423
Total Assets	3,032,770
 Net Cash Assets:	
Restricted for:	
Capital Projects	389,995
Classroom Facilities Maintenance	64,413
Debt Service	525,869
Federally Funded Programs	16,848
Student Activities	23,305
Other Purposes	148,445
Unrestricted	1,863,895
Total Net Cash Assets	\$3,032,770

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, 2012**

	Program Cash Receipts			Net (Expense) Revenue and Changes in Net Cash Assets
	Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$2,370,687	\$517,793	\$156,167	(\$1,696,727)
Special	421,488	1,381	319,068	(101,039)
Vocational	534		7,029	6,495
Other	296,827			(296,827)
Support services:				
Pupils	120,618		35,717	(84,901)
Instructional Staff	279,472		26,557	(252,915)
Board of Education	4,844			(4,844)
Administration	646,695		6,688	(640,007)
Fiscal	217,079		3,600	(213,479)
Operations and Maintenance	659,530	1,895		(657,635)
Pupil Transportation	249,785			(249,785)
Central	6,472		5,078	(1,394)
Operation of Non-Instructional Services:				
Other Non-Instructional Services	52,415		1,177	(51,238)
Food Service Operations	191,968	142,664	69,986	20,682
Extracurricular Activities	311,214	88,953	2,620	(219,641)
Facilities Acquisition and Construction	383,120			(383,120)
Debt service:				
Principal Retirement	363,630			(363,630)
Interest and Fiscal Charges	289,505			(289,505)
Total governmental activities	<u>6,865,883</u>	<u>752,686</u>	<u>633,687</u>	<u>(5,479,510)</u>
Total Primary Government	<u>\$6,865,883</u>	<u>\$752,686</u>	<u>\$633,687</u>	<u>(5,479,510)</u>
General Cash Receipts:				
Property Taxes Levied For:				
General Purposes				1,166,081
Debt Service				539,594
Capital Outlay				71,772
Special Revenue				26,927
Income Taxes Levied For:				
General Purposes				1,216,753
Grants and Entitlements Not Restricted to Specific Programs				2,305,942
Unrestricted Investment Earnings				1,874
Miscellaneous				8,849
Total General Receipts				<u>5,337,792</u>
Change in Net Cash Assets				(141,718)
Net Cash Assets - Beginning				<u>3,174,488</u>
Net Cash Assets - Ending				<u><u>\$3,032,770</u></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, 2012**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,863,895	\$525,869	\$323,284	\$289,299	\$3,002,347
Cash in Segregated Accounts			30,423		30,423
Total Assets	<u>1,863,895</u>	<u>525,869</u>	<u>353,707</u>	<u>289,299</u>	<u>3,032,770</u>
Fund Cash Balances:					
Restricted:					
Debt Service		525,869			525,869
Capital Improvements			353,707	36,288	389,995
Classroom Facilities Maintenance				64,413	64,413
Food Service Operations				78,047	78,047
Special Education				16,699	16,699
Other Purposes				70,547	70,547
Extracurricular				23,305	23,305
Assigned:					
Student Instruction	4,329				4,329
Student and Staff Support	73,892				73,892
Extracurricular Activities	3,898				3,898
Operation of Non-Instructional Services	4,489				4,489
Uniform School Supplies	809				809
Public School Support	16,555				16,555
Unassigned	1,759,923				1,759,923
Total Fund Balances	<u>\$1,863,895</u>	<u>\$525,869</u>	<u>\$353,707</u>	<u>\$289,299</u>	<u>\$3,032,770</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, 2012**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:					
Property Taxes	\$1,166,081	\$539,594		\$98,699	\$1,804,374
Income Taxes	1,216,753				1,216,753
Tuition	496,025				496,025
Earnings on Investments	1,700		\$174		1,874
Charges for Services				142,664	142,664
Extracurricular	24,592			64,361	88,953
Classroom Materials and Fees	23,149				23,149
Rental Income	1,895				1,895
Contributions and Donations	150			9,784	9,934
Other Local Revenues	7,612			1,219	8,831
Intergovernmental - State	2,319,098	92,989		34,508	2,446,595
Intergovernmental - Federal				483,118	483,118
Total Revenues	<u>5,257,055</u>	<u>632,583</u>	<u>174</u>	<u>834,353</u>	<u>6,724,165</u>
Cash Disbursements:					
Current:					
Instruction:					
Regular	2,214,618			156,069	2,370,687
Special	243,927			177,561	421,488
Vocational	534				534
Other	296,827				296,827
Support Services:					
Pupils	88,500			32,118	120,618
Instructional Staff	251,835			27,637	279,472
Board of Education	4,844				4,844
Administration	639,906			6,789	646,695
Fiscal	202,224	9,515		5,340	217,079
Operation and Maintenance	552,512			107,018	659,530
Pupil Transportation	249,785				249,785
Central				6,472	6,472
Operation of Non-Instructional Services:					
Other Non-Instructional Services	50,915			1,500	52,415
Food Service Operations				191,968	191,968
Extracurricular Activities	242,419			68,795	311,214
Facilities Acquisition and Construction			348,464	34,656	383,120
Debt Service:					
Principal Retirement		325,000		38,630	363,630
Interest and Fiscal Charges		276,700		12,805	289,505
Total Expenditures	<u>5,038,846</u>	<u>611,215</u>	<u>348,464</u>	<u>867,358</u>	<u>6,865,883</u>
Net Change in Fund Cash Balances	218,209	21,368	(348,290)	(33,005)	(141,718)
Fund Cash Balances - Beginning	1,645,686	504,501	701,997	322,304	3,174,488
Fund Cash Balances - Ending	<u>\$1,863,895</u>	<u>\$525,869</u>	<u>\$353,707</u>	<u>\$289,299</u>	<u>\$3,032,770</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, 2012**

	<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	\$1,142,428	\$1,166,082	\$1,166,081	(\$1)
Income Taxes	1,117,750	1,216,753	1,216,753	
Tuition	397,159	496,025	496,025	
Earnings on Investments	3,010	1,543	1,700	157
Rental Income	12	1,895	1,895	
Contributions and Donations	1,001	150	150	
Other Local Revenues	6,048	7,612	7,612	
Intergovernmental - State	2,314,771	2,319,098	2,319,098	
Intergovernmental - Federal	5,000			
Total Budgetary Basis Receipts	<u>4,987,179</u>	<u>5,209,158</u>	<u>5,209,314</u>	<u>156</u>
Budgetary Basis Disbursements:				
Current:				
Instruction:				
Regular	2,333,213	2,193,807	2,193,807	
Special	157,185	244,045	244,045	
Vocational	600	630	630	
Other	256,600	296,827	296,827	
Support services:				
Pupil	150,507	88,594	88,594	
Instructional Staff	307,379	252,114	252,114	
Board of Education	5,715	4,844	4,844	
Administration	673,984	632,839	633,419	(580)
Fiscal	201,557	208,142	208,322	(180)
Business	750			
Operations and Maintenance	531,590	608,057	608,057	
Pupil Transportation	219,034	250,300	250,300	
Operation of Non-Instructional Services	55,000	55,405	55,405	
Extracurricular Activities	214,330	246,317	246,317	
Total Budgetary Basis Disbursements	<u>5,107,444</u>	<u>5,081,921</u>	<u>5,082,681</u>	<u>(760)</u>
Net Change in Fund Cash Balance	(120,265)	127,237	126,633	(604)
Fund Cash Balance at Beginning of Year	1,601,301	1,601,301	1,601,301	
Prior Year Encumbrances Appropriated	31,989	31,989	31,989	
Fund Cash Balance at End of Year	<u><u>\$1,513,025</u></u>	<u><u>\$1,760,527</u></u>	<u><u>\$1,759,923</u></u>	<u><u>(\$604)</u></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, 2012**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$57,588	\$29,574
Net Cash Assets:		
Held in Trust for Scholarships	57,588	
Held for Student Activities		29,574
Total Net Cash Assets	\$57,588	\$29,574

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$144
Total Additions	144
Change in Net Cash Assets	144
Net Cash Assets - Beginning	57,444
Net Cash Assets - Ending	\$57,588

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, 2012**

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 31 non-certified employees, 49 certified full-time teaching personnel and 3 administrative employees and one shared Treasurer who provides services to 598 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, 2012
(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 Dean Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Counsel

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 School 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, 2012
(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 School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. 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.

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.

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 and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 non-major 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.

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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 re-appropriated.

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 School District has invested funds in non-negotiable certificates of deposit (CD's) and the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2012.

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, 2012.

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 2012 amounted to \$1,700, which includes \$246 assigned from other funds.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 School 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 School 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. It also includes the long-term amount of loans receivable.

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

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2012.

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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Change in Accounting Principles

For fiscal year 2012, the School District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

4. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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;

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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.

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 School District had \$30,423 on deposit in retainage accounts related to the Ohio School Facilities Construction Project. This amount is reported on the statement of assets and fund balances and statement of net assets as "cash in segregated account".

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all School District deposits was \$322,228. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, the District's entire bank balance of \$346,412 was covered by the FDIC.

C. Investments

As of June 30, 2012, the School District had the following investments and maturities:

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

<u>Investment type</u>	<u>Cost</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	<u>\$2,767,281</u>	<u>\$2,767,281</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 carries 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.

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 School District at June 30, 2012:

<u>Investment type</u>	<u>Cost</u>	<u>% to Total</u>
STAR Ohio	<u>\$2,767,281</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, 2012:

Cash and investments per note:

Carrying amount of deposits	\$ 322,228
Investments	2,767,281
Cash in segregated accounts	<u>30,423</u>
	<u>\$3,119,932</u>

Cash and investments per statement of net assets:

Governmental activities	\$3,032,770
Private-purpose trust funds	57,588
Agency funds	<u>29,574</u>
Total	<u>\$3,119,932</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value. The District receives property taxes from Darke and Miami County. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 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 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$65,622,300	97.90	\$66,017,240	97.93
Public utility personal	1,367,780	2.04	1,397,470	2.07
Tangible personal property	37,640	0.06		
Total	<u>\$67,027,720</u>	<u>100.00</u>	<u>\$67,414,710</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$47.40		\$47.10

6. SCHOOL DISTRICT INCOME TAX

The School District levies a voted tax of 1 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$1,216,753 was credited to the general fund during fiscal year 2012.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. LONG-TERM OBLIGATIONS

A. During the fiscal year 2012, the following activity occurred in governmental activities long-term obligations:

	<u>Balance Outstanding 06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/12</u>	<u>Amounts Due in One Year</u>
Governmental activities:					
School facilities construction and advance refunding bonds - Series 2008					
Current interest bonds	\$6,790,000		(\$325,000)	\$6,465,000	\$170,000
Capital appreciation bonds	129,998			129,998	
Accreted interest	146,666	\$72,709		219,375	165,000
Total G.O. bonds	<u>7,066,664</u>	<u>72,709</u>	<u>(325,000)</u>	<u>6,814,373</u>	<u>335,000</u>
Tax anticipation note	289,060		(38,630)	250,430	39,486
Total	<u>\$7,355,724</u>	<u>\$72,709</u>	<u>(\$363,630)</u>	<u>\$7,064,803</u>	<u>\$374,486</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 (a non-major governmental fund).

School Facilities Construction and Advance Refunding Bonds - Series 2008: On March 18, 2008, the School 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).

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 debt service 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, 2012, are as follows:

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. LONG-TERM OBLIGATIONS (Continued)

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
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	185,000	230,976	415,976			
2018 - 2022	1,040,000	1,038,075	2,078,075			
2023 - 2027	1,275,000	810,906	2,085,906			
2028 - 2032	1,570,000	525,129	2,095,129			
2033 - 2036	1,515,000	164,474	1,679,474			
Total	\$6,465,000	\$3,791,987	\$10,256,987	\$129,998	\$385,002	\$515,000

Fiscal Year Ending June 30,	Tax Anticipation Notes		
	Principal	Interest	Total
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	43,102	3,861	46,963
2018	44,057	1,952	46,009
Total	\$250,430	\$39,537	\$289,967

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 un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, resulted in no remaining voted debt margin and an un-voted debt margin of \$67,415.

8. 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 2012, 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:

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

<u>Description</u>	<u>Amount</u>
Building and Contents-replacement cost (\$1,000 deductible)	\$23,305,000
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	3,000,000
Aggregate limit	3,000,000
Errors and Omissions Liability (\$2,500 deductible)	
Per Occurrence	1,000,000
Aggregate limit	1,000,000

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 2012, 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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. 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 "Employers/Audit Resources".

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 2012, 12.65 percent and 0.05 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, 2012, 2011 and 2010 were \$85,073, \$78,878 and \$74,406, respectively; 68.24 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. PENSION PLANS (Continued)

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 2012, 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, 2012, 2011 and 2010 were \$295,223, \$299,080 and \$293,781, respectively; 83.97 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and combined plans for fiscal year 2012 were \$7,309 made by the District and \$5,221 made by plan members.

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, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

10. POST-EMPLOYMENT 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 Section 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 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the 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 "Employers/Audit Resources".

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

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 2012, 0.55 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 2012, 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.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$3,684, \$9,551 and \$13,891, respectively; 68.24 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,024, \$5,076 and \$4,425, respectively; 68.24 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 2012, 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, 2012, 2011 and 2010 were \$22,709, \$23,006 and \$22,599, respectively; 83.97 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. 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 statement 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 as restricted, committed or assigned 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:

<u>Net Change in Fund Cash Balance</u>	
	<u>General fund</u>
Budget basis	\$126,633
Funds budgeted elsewhere **	4,968
Adjustment for encumbrances	86,608
Cash basis	<u>\$218,209</u>

** As part of Governmental Accounting Standards Board No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund and termination benefits fund.

12. CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have an material adverse effect on the overall financial position of the District at June 30, 2012.

B. Litigation

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

13. SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. SET-ASIDES (Continued)

	Capital Improvements
Set-aside balance June 30, 2011	
Current year set-aside requirement	\$102,498
Current year offsets	(102,498)
Prior year offset from bond proceeds	
Total	\$ 0
 Balance carried forward to fiscal year 2013	
 Set-aside balance June 30, 2012	

14. 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:

Fund Type	Year-End Encumbrances
General fund	\$ 86,941
Classroom facilities	96,780
Other governmental	57,292
	\$241,013



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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, (the District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 16, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

January 16, 2014

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2013 AND 2012

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

FINDING NUMBER 2013-001

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 to provide any user with more meaningful and useful financial statements.

Officials' Response: The District does not prepare financial statements in accordance with GAAP as a cost savings measure.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	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 2013-001
2011-002	34 CFR 80.20 Section 6 – Title 1 final expenditure amounts reported to the Ohio Department of Education did not agree to underlying accounting records.	Yes	



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Independent Auditor's Report on Applying Agreed-Upon Procedure

Newton Local School District
Miami County
201 N. 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 prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

Columbus, Ohio

January 16, 2014

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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
FEBRUARY 18, 2014**