



Dave Yost • Auditor of State

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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TUSCARAWAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

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 the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2014, 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 accounting principles generally accepted in the United States of America; this includes 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General and Food Service Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 1, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The management's discussion and analysis of the Newcomerstown Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities decreased \$684,410 which represents a 5.53% decrease from 2013.
- General revenues accounted for \$9,005,578 in revenue or 72.88% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$3,351,134 or 27.12% of total revenues of \$12,356,712.
- The District had \$13,041,122 in expenses related to governmental activities; \$3,351,134 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,005,578 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the food service fund. The general fund had \$10,334,515 in revenues and other financing sources and \$10,649,227 in expenditures. During fiscal year 2014, the general fund's fund balance decreased \$314,712 from a balance of \$93,607 to a deficit of \$221,105.
- Another of the District's major governmental funds is the food service fund. The food service fund had \$540,458 in revenues and \$566,940 in expenditures. During fiscal year 2014, the food service fund's fund balance decreased \$26,482 from a deficit of \$555,161 to a deficit of \$581,643.

Using the Basic Financial Statements

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. 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 and the food service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-22 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 26 and 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-58 of this report.

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 4,732,019	\$ 4,969,803
Capital assets, net	<u>13,306,389</u>	<u>13,814,929</u>
Total assets	<u>18,038,408</u>	<u>18,784,732</u>
<u>Deferred outflows of resources</u>		
Deferred outflows of resources	<u>37,476</u>	<u>41,929</u>
<u>Liabilities</u>		
Current liabilities	1,581,639	1,457,178
Long-term liabilities	<u>2,313,384</u>	<u>2,568,458</u>
Total liabilities	<u>3,895,023</u>	<u>4,025,636</u>
<u>Deferred inflows of resources</u>		
Deferred inflows of resources	<u>2,495,099</u>	<u>2,430,853</u>
<u>Net Position</u>		
Net investment in capital assets	11,444,339	11,659,452
Restricted	598,881	789,590
Unrestricted (deficit)	<u>(357,548)</u>	<u>(78,870)</u>
Total net position	<u>\$ 11,685,672</u>	<u>\$ 12,370,172</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$11,685,762. Of this total, \$598,881 is restricted in use.

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

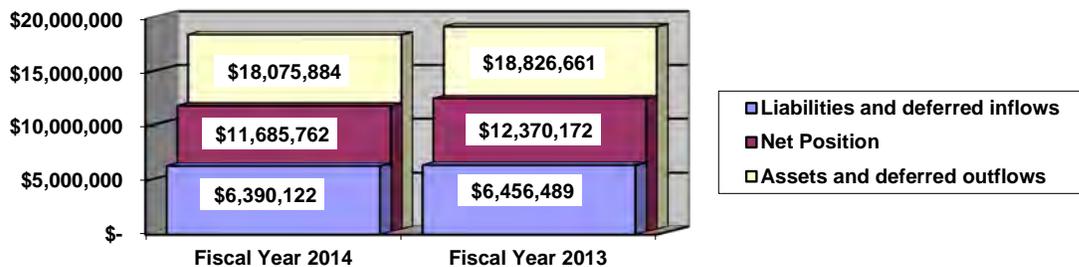
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

At year-end, capital assets represented 73.61% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$11,444,339. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$598,881, represents resources that are subject to external restriction on how they may be used. The remaining deficit of unrestricted net position is \$357,458.

The graph below illustrates the governmental activities assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014 and June 30, 2013.

Governmental Activities



The table below shows the change in net position for fiscal years 2014 and 2013.

Change in Net Position

	Governmental Activities 2014	Governmental Activities 2013
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,157,033	\$ 1,109,373
Operating grants and contributions	2,194,101	2,229,157
General revenues:		
Property taxes	2,967,333	2,895,891
Grants and entitlements	5,882,205	5,327,727
Investment earnings	10	17
Other	156,030	150,229
Total revenues	<u>12,356,712</u>	<u>11,712,394</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,765,355	\$ 4,560,775
Special	2,092,724	1,521,479
Vocational	3,445	65,491
Adult/continuing	-	7,424
Other	604,826	682,373
Support services:		
Pupil	597,643	380,887
Instructional staff	167,045	760,253
Board of education	26,974	26,316
Administration	1,059,823	1,043,334
Fiscal	216,357	284,595
Operations and maintenance	1,538,197	1,491,492
Pupil transportation	635,119	563,600
Central	301,602	-
Operations of non-instructional:		
Food service operations	580,181	622,243
Other non-instructional services	12,498	22,032
Extracurricular activities	366,782	389,384
Interest and fiscal charges	<u>72,551</u>	<u>82,844</u>
Total expenses	<u>13,041,122</u>	<u>12,504,522</u>
Change in net position	(684,410)	(792,128)
Net position at beginning of year	<u>12,370,172</u>	<u>13,162,300</u>
Net position at end of year	<u>\$ 11,685,762</u>	<u>\$ 12,370,172</u>

Governmental Activities

Net position of the District's governmental activities decreased \$684,410. Total governmental expenses of \$13,041,122 were offset by program revenues of \$3,351,134 and general revenues of \$9,005,578. Program revenues supported 25.70% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements not restricted to specific programs. These revenue sources represent 71.62% of total governmental revenue.

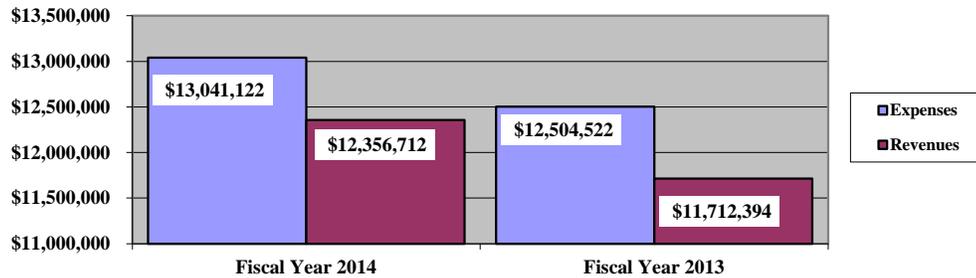
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,466,350 or 57.25% of total governmental expenses for fiscal year 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013:

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses				
Instruction:				
Regular	\$ 4,765,355	\$ 4,024,536	\$ 4,560,775	\$ 3,770,646
Special	2,092,724	302,066	1,521,479	(7,424)
Vocational	3,445	1,026	65,491	40,207
Adult education	-	-	7,424	7,424
Other	604,826	604,826	682,373	682,373
Support services:				
Pupil	597,643	597,643	380,887	380,887
Instructional staff	167,045	46,529	760,253	538,709
Board of education	26,974	26,974	26,316	26,316
Administration	1,059,823	1,059,535	1,043,334	1,031,414
Fiscal	216,357	216,357	284,595	283,847
Operations and maintenance	1,538,197	1,537,741	1,491,492	1,491,167
Pupil transportation	635,119	631,488	563,600	563,600
Central	301,602	290,934	-	-
Operation of non-instructional:				
Food service operations	580,181	39,723	622,243	71,781
Other non-instructional services	12,498	12,498	22,032	(26,618)
Extracurricular activities	366,782	225,561	389,384	228,819
Interest and fiscal charges	<u>72,551</u>	<u>72,551</u>	<u>82,844</u>	<u>82,844</u>
Total expenses	<u><u>\$ 13,041,122</u></u>	<u><u>\$ 9,689,988</u></u>	<u><u>\$ 12,504,522</u></u>	<u><u>\$ 9,165,992</u></u>

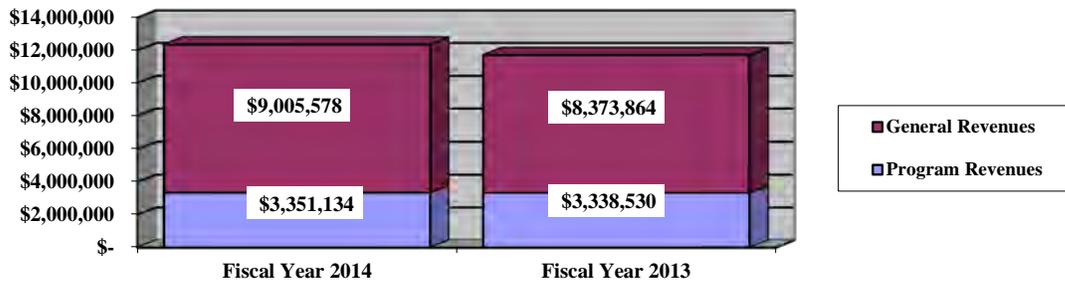
**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent, as 66.06% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.30%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on page 17) reported a combined deficit fund balance of \$230,521 which is less than last year's balance of \$309,283. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance (deficit) <u>June 30, 2014</u>	Fund Balance (deficit) <u>June 30, 2013</u>	<u>(Decrease)</u>
General	\$ (221,105)	\$ 93,607	\$ (314,712)
Food service	(581,643)	(555,161)	(26,482)
Other Governmental	<u>572,227</u>	<u>770,837</u>	<u>(198,610)</u>
Total	<u>\$ (230,521)</u>	<u>\$ 309,283</u>	<u>\$ (539,804)</u>

General Fund

The District's general fund's fund balance decreased by \$314,712.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The table that follows assists in illustrating the financial activities and fund balance of the general fund for fiscal years 2014 and 2013.

	2014 <u>Amount</u>	2013 <u>Amount</u>	Increase/ (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 2,765,430	\$ 2,667,027	\$ 98,403	3.69 %
Tuition	871,667	805,187	66,480	8.26 %
Intergovernmental	6,532,922	5,980,980	551,942	9.23 %
Other revenues	<u>105,741</u>	<u>109,572</u>	<u>(3,831)</u>	(3.50) %
Total	<u>\$ 10,275,760</u>	<u>\$ 9,562,766</u>	<u>\$ 712,994</u>	7.46 %
<u>Expenditures</u>				
Instruction	\$ 6,017,054	\$ 5,644,895	\$ 372,159	6.59 %
Support services	4,357,651	3,985,607	372,044	9.33 %
Operation of non-instructional services	2,801	293	2,508	855.97 %
Extracurricular activities	173,849	233,358	(59,509)	(25.50) %
Facilities acquisition and construction	74,750	109,033	(34,283)	(31.44) %
Capital outlay	-	102,107	(102,107)	100.00 %
Debt service	<u>23,122</u>	<u>18,945</u>	<u>4,177</u>	22.05 %
Total	<u>\$ 10,649,227</u>	<u>\$ 10,094,238</u>	<u>\$ 554,989</u>	5.50 %

Overall revenues of the general fund increased \$712,994 or 7.46%. Tax revenue increased \$98,403 or 3.69% due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditors. Tuition revenue increased during the year due to higher collections for students attending the District through open enrollment. Unrestricted grants and entitlements increased due to additional revenue allocated from the state foundation. All other revenues and expenditures remained comparable to prior years.

Overall expenditures of the general fund increased \$554,989 or 5.50%. This increase is mainly attributable to increases in instruction expenditures as well as support services. Support services increased mainly due to an increase in instructional staff, operations and maintenance, and central expenditures. Capital outlay decreased due to the issuance of no new capital leases by the District.

Food Service Fund

Another of the District's major governmental funds is the food service fund. The food service fund had \$540,458 in revenues and \$566,940 in expenditures. During fiscal year 2014, the food service fund's fund balance decreased \$26,482 from a deficit of \$555,161 to a deficit of \$581,643.

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 2014, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$9,839,768 and final budgeted revenues and other financing sources were \$10,250,000. Actual revenues and other financing sources for fiscal year 2014 were \$10,285,362. This represents a \$35,362 increase over final budgeted revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

General fund original appropriations and other financing uses were \$10,413,347 and final appropriations and other financing uses were \$10,506,454. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$10,494,904, which was \$11,546 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$13,306,389 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2014 balances compared to June 30, 2013.

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 121,788	\$ 121,788
Land improvements	572,421	661,435
Building and improvements	12,003,600	12,440,223
Furniture and equipment	390,537	448,347
Vehicles	<u>218,043</u>	<u>143,136</u>
Total	<u>\$ 13,306,389</u>	<u>\$ 13,814,929</u>

The overall decrease in capital assets of \$508,540 is due to depreciation expense of \$645,742 exceeding capital outlays of \$137,202 in the fiscal year.

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

Debt Administration

At June 30, 2014, the District had \$1,587,670 in general obligation bonds, \$163,097 in lease purchase agreements outstanding and \$70,860 in capital leases outstanding. Of this total, \$291,759 is due within one year and \$1,601,868 is due in greater than one year.

The following table summarizes the debt outstanding at June 30, 2014 and June 30, 2013.

	Outstanding Debt, at Year End	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
	General obligation bonds	\$ 1,587,670
Capital leases	70,860	89,919
Lease-purchase agreements	<u>163,097</u>	<u>244,969</u>
Total	<u>\$ 1,821,627</u>	<u>\$ 2,098,181</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

At June 30, 2014, the District's overall legal debt margin was \$7,715,801, and an unvoted debt margin of \$100,507.

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

Current Financial Related Activities

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

The District passed an 8 mill, five year emergency levy in the February 2006 special election (by a vote of 58% to 42%). This was the fourth try for additional operating revenue in the last few years and this is the first new, additional operating funds the District has received in the last 13 years. This Levy was renewed at the May 2009 election by a vote of 64% to 36%. This levy generates \$750,000 annually.

The District also renewed a current 9.2 mill operating levy in May 2011. This operating levy generates \$527,100 annually. Voters rejected a 9.2 mill replacement tax levy that was placed on the November 2010 ballot. The replacement levy would have generated \$955,958 annually.

The District recently settled a two year contract on wages and benefits with both the certified and classified associations. The contract expires on June 30, 2015. Therefore, the District will begin negotiations with both associations in the spring of 2015.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,332,531
Receivables:	
Property taxes	3,233,517
Intergovernmental	160,477
Materials and supplies inventory.	5,494
Capital assets:	
Nondepreciable capital assets	121,788
Depreciable capital assets, net.	13,184,601
Capital assets, net	13,306,389
Total assets.	18,038,408
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	37,476
Total deferred outflows of resources	37,476
 Liabilities:	
Accounts payable.	175,545
Accrued wages and benefits payable	975,392
Pension obligation payable.	185,224
Intergovernmental payable	24,818
Accrued interest payable	4,328
Claims payable.	216,332
Long-term liabilities:	
Due within one year.	384,951
Due in more than one year.	1,928,433
Total liabilities	3,895,023
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,495,099
Total deferred inflows of resources	2,495,099
 Net position:	
Net investment in capital assets	11,444,339
Restricted for:	
Capital projects	61,422
Permanent fund - expendable	14,517
Classroom facilities maintenance	247,346
Debt service.	228,506
State funded programs.	3,600
Federally funded programs	3,920
Student activities	39,570
Unrestricted (deficit)	(357,458)
Total net position.	\$ 11,685,762

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,765,355	\$ 663,470	\$ 77,349	\$ (4,024,536)
Special	2,092,724	222,562	1,568,096	(302,066)
Vocational	3,445	-	2,419	(1,026)
Other	604,826	-	-	(604,826)
Support services:				
Pupil	597,643	-	-	(597,643)
Instructional staff	167,045	-	120,516	(46,529)
Board of education	26,974	-	-	(26,974)
Administration	1,059,823	-	288	(1,059,535)
Fiscal	216,357	-	-	(216,357)
Operations and maintenance	1,538,197	325	131	(1,537,741)
Pupil transportation	635,119	-	3,631	(631,488)
Central	301,602	-	10,668	(290,934)
Operation of non-instructional services:				
Other non-instructional services	12,498	-	-	(12,498)
Food service operations	580,181	129,455	411,003	(39,723)
Extracurricular activities	366,782	141,221	-	(225,561)
Interest and fiscal charges	72,551	-	-	(72,551)
Total governmental activities	\$ 13,041,122	\$ 1,157,033	\$ 2,194,101	(9,689,988)
General revenues:				
Property taxes levied				
General purposes				2,753,497
Special revenue				35,242
Debt service				178,594
Grants and entitlements not restricted to specific programs				5,882,205
Investment earnings				10
Miscellaneous				156,030
Total general revenues				9,005,578
Change in net position				(684,410)
Net position at beginning of year				12,370,172
Net position at end of year				\$ 11,685,762

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Food Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 58,741	\$ -	\$ 572,004	\$ 630,745
Receivables:				
Property taxes	2,993,816	-	239,701	3,233,517
Intergovernmental	7,901	-	152,576	160,477
Materials and supplies inventory	-	5,494	-	5,494
Due from other funds	548,373	-	-	548,373
Total assets	<u>\$ 3,608,831</u>	<u>\$ 5,494</u>	<u>\$ 964,281</u>	<u>\$ 4,578,606</u>
Liabilities:				
Accounts payable	\$ 155,494	\$ 562	\$ 19,489	\$ 175,545
Accrued wages and benefits payable	820,250	35,562	119,580	975,392
Compensated absences payable	47,983	-	-	47,983
Intergovernmental payable	20,624	634	3,560	24,818
Pension obligation payable	165,354	7,110	12,760	185,224
Due to other funds	-	543,269	5,104	548,373
Total liabilities	<u>1,209,705</u>	<u>587,137</u>	<u>160,493</u>	<u>1,957,335</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	2,309,682	-	185,417	2,495,099
Delinquent property tax revenue not available	303,245	-	24,301	327,546
Intergovernmental revenue not available	7,304	-	21,843	29,147
Total deferred inflows of resources	<u>2,620,231</u>	<u>-</u>	<u>231,561</u>	<u>2,851,792</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	5,494	-	5,494
Restricted:				
Debt service	-	-	235,184	235,184
Capital improvements	-	-	61,422	61,422
Classroom facilities maintenance	-	-	243,367	243,367
Other purposes	-	-	7,520	7,520
Extracurricular	-	-	39,570	39,570
Permanent fund	-	-	14,517	14,517
Unassigned (deficit)	(221,105)	(587,137)	(29,353)	(837,595)
Total fund balances (deficit)	<u>(221,105)</u>	<u>(581,643)</u>	<u>572,227</u>	<u>(230,521)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,608,831</u>	<u>\$ 5,494</u>	<u>\$ 964,281</u>	<u>\$ 4,578,606</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$ (230,521)
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,306,389
Other long-term assets are not available to pay for current-period expenditures		
*		
Property taxes receivable	\$ 327,546	
Intergovernmental receivable	29,147	
Total		356,693
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		485,454
Unamortized premiums on bonds issued are not recognized in the funds.		37,476
Unamortized amounts on refundings are not recognized in the funds.		(100,571)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(4,328)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	343,203	
Lease-purchase agreement	163,097	
Capital lease obligations	70,860	
General obligation current interest bonds	1,555,000	
General obligation capital appreciation bonds	9,998	
Accreted interest on capital appreciation bonds	22,672	
Total		(2,164,830)
Net position of governmental activities		\$ 11,685,762

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Food Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,765,430	\$ -	\$ 215,059	\$ 2,980,489
Tuition	871,667	-	-	871,667
Earnings on investments	-	-	10	10
Charges for services	-	129,455	-	129,455
Extracurricular	43,721	-	97,500	141,221
Classroom materials and fees	14,365	-	-	14,365
Rental income	325	-	-	325
Contributions and donations	4,375	-	108,700	113,075
Other local revenues	42,955	-	-	42,955
Intergovernmental - intermediate	-	-	2,997	2,997
Intergovernmental - state	6,532,922	7,967	37,695	6,578,584
Intergovernmental - federal	-	403,036	1,076,119	1,479,155
Total revenues	<u>10,275,760</u>	<u>540,458</u>	<u>1,538,080</u>	<u>12,354,298</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,347,545	-	160,312	4,507,857
Special	1,064,212	-	1,011,746	2,075,958
Vocational	467	-	-	467
Other	604,830	-	-	604,830
Support services:				
Pupil	593,623	-	-	593,623
Instructional staff	116,894	-	2,039	118,933
Board of education	26,992	-	-	26,992
Administration	1,042,798	-	16,767	1,059,565
Fiscal	212,875	-	-	212,875
Operations and maintenance	1,405,302	939	358	1,406,599
Pupil transportation	699,985	-	-	699,985
Central	259,182	-	42,106	301,288
Operation of non-instructional services:				
Other operation of non-instructional	2,801	-	-	2,801
Food service operations	-	566,001	-	566,001
Extracurricular activities	173,849	-	93,913	267,762
Facilities acquisition and construction	74,750	-	16,906	91,656
Debt service:				
Principal retirement	19,059	-	266,872	285,931
Interest and fiscal charges	4,063	-	66,916	70,979
Total expenditures	<u>10,649,227</u>	<u>566,940</u>	<u>1,677,935</u>	<u>12,894,102</u>
Excess of expenditures over revenues	<u>(373,467)</u>	<u>(26,482)</u>	<u>(139,855)</u>	<u>(539,804)</u>
Other financing sources:				
Transfers in	58,755	-	-	58,755
Transfers (out)	-	-	(58,755)	(58,755)
Total other financing sources	<u>58,755</u>	<u>-</u>	<u>(58,755)</u>	<u>-</u>
Net change in fund balances	(314,712)	(26,482)	(198,610)	(539,804)
Fund balances (deficit) at beginning of year	<u>93,607</u>	<u>(555,161)</u>	<u>770,837</u>	<u>309,283</u>
Fund balances (deficit) at end of year	<u>\$ (221,105)</u>	<u>\$ (581,643)</u>	<u>\$ 572,227</u>	<u>\$ (230,521)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds \$ (539,804)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 137,202	
Current year depreciation	(645,742)	
Total	(508,540)	(508,540)

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

Property taxes	(13,156)	
Intergovernmental	15,260	
Total	2,104	2,104

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

285,931

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

Decrease in accrued interest payable	309	
Accreted interest on capital appreciation bonds	(9,377)	
Amortization of bond premiums	11,949	
Amortization of deferred charges	(4,453)	
Total	(1,572)	(1,572)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(31,509)

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

108,980

Change in net position of governmental activities **\$ (684,410)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,755,621	\$ 2,756,000	\$ 2,759,303	\$ 3,303
Tuition	834,127	863,219	871,667	8,448
Rental income	336	325	325	-
Contributions and donations	3,723	4,000	4,375	375
Other local revenues	46,763	42,543	42,955	412
Intergovernmental - state	<u>6,197,855</u>	<u>6,525,135</u>	<u>6,532,325</u>	<u>7,190</u>
Total revenues	<u>9,838,425</u>	<u>10,191,222</u>	<u>10,210,950</u>	<u>19,728</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,304,331	4,244,442	4,297,102	(52,660)
Special	1,015,327	1,051,576	1,028,429	23,147
Vocational	12,654	13,066	13,023	43
Other	593,237	610,752	610,441	311
Support services:				
Pupil	576,293	594,765	593,023	1,742
Instructional staff	187,538	206,993	191,638	15,355
Board of education	26,033	26,993	26,793	200
Administration	1,014,864	1,052,794	1,044,334	8,460
Fiscal	205,244	211,542	211,153	389
Operations and maintenance	1,437,910	1,414,673	1,421,306	(6,633)
Pupil transportation	591,291	601,458	595,946	5,512
Central	223,549	244,429	230,074	14,355
Other operation of non-instructional services	2,712	2,791	2,791	-
Extracurricular activities	153,365	159,143	157,842	1,301
Facilities acquisition and construction	68,999	71,037	71,013	24
Total expenditures	<u>10,413,347</u>	<u>10,506,454</u>	<u>10,494,908</u>	<u>11,546</u>
Excess of expenditures over revenues	<u>(574,922)</u>	<u>(315,232)</u>	<u>(283,958)</u>	<u>31,274</u>
Other financing sources:				
Refund of prior year's expenditures	1,343	23	23	-
Transfers in	-	58,755	58,755	-
Advances in	-	-	15,634	15,634
Total other financing sources	<u>1,343</u>	<u>58,778</u>	<u>74,412</u>	<u>15,634</u>
Net change in fund balance	(573,579)	(256,454)	(209,546)	46,908
Fund balance at beginning of year	660,473	660,473	660,473	-
Prior year encumbrances appropriated	81,454	81,454	81,454	-
Fund balance at end of year	<u>\$ 168,348</u>	<u>\$ 485,473</u>	<u>\$ 532,381</u>	<u>\$ 46,908</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Charges for services	\$ 129,953	\$ 128,703	\$ 129,455	\$ 752
Intergovernmental - state	7,998	7,921	7,967	46
Intergovernmental - federal	382,049	378,376	380,585	2,209
Total revenue	<u>520,000</u>	<u>515,000</u>	<u>518,007</u>	<u>3,007</u>
Expenditures:				
Current:				
Support Services:				
Operations and maintenance.	-	939	939	-
Operation of non-instructional services:				
Food service operations	<u>550,000</u>	<u>549,061</u>	<u>547,292</u>	<u>1,769</u>
Total expenditures	<u>550,000</u>	<u>550,000</u>	<u>548,231</u>	<u>1,769</u>
Net change in fund balance	(30,000)	(35,000)	(30,224)	4,776
Fund balance (deficit) at beginning of year	<u>(513,045)</u>	<u>(513,045)</u>	<u>(513,045)</u>	<u>-</u>
Fund balance (deficit) at end of year. . . .	<u><u>\$ (543,045)</u></u>	<u><u>\$ (548,045)</u></u>	<u><u>\$ (543,269)</u></u>	<u><u>\$ 4,776</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 701,786
Total assets.	<u>701,786</u>
Liabilities:	
Claims payable	<u>216,332</u>
Total liabilities	<u>216,332</u>
Net position:	
Unrestricted.	<u>485,454</u>
Total net position.	<u><u>\$ 485,454</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services.	\$ 2,147,566
Total operating revenues	2,147,566
Operating expenses:	
Claims	2,038,586
Total operating expenses.	2,038,586
Operating income/change in net position.	108,980
Net position at beginning of year.	376,474
Net position at end of year	\$ 485,454

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services.	\$ 2,147,566
Cash payments for claims	<u>(2,043,924)</u>
Net cash provided by operating activities	<u>103,642</u>
Net increase in cash and cash cash equivalents	103,642
Cash and cash equivalents at beginning of year	598,144
Cash and cash equivalents at end of year	<u><u>\$ 701,786</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 108,980
Changes in assets and liabilities: Decrease in claims payable	<u>(5,338)</u>
Net cash provided by operating activities.	<u><u>\$ 103,642</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 528	\$ 58,255
Total assets.	528	\$ 58,255
Liabilities:		
Intergovernmental payable	-	\$ 1
Due to students.	-	58,254
Total liabilities	-	\$ 58,255
Net position:		
Held in trust for scholarships	528	
Total net position.	\$ 528	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	
Additions:		
Interest	\$	3
Deductions:		
Scholarships awarded		<u>500</u>
Change in net position		(497)
Net position at beginning of year.		<u>1,025</u>
Net position at end of year	<u>\$</u>	<u>528</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1856 through the consolidation of existing land areas and school districts. The District is staffed by 52 non-certified employees, 84 certified full-time teaching personnel and 9 administrative employees who provide services to 1,051 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Career Center

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Career Center's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Career Center's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Career Center. Each participating District's control is limited to its representation on the Career Center's Board of Education. During fiscal year 2014, no monies were paid to the Career Center by the District.

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

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

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

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

OME-RESA is owned and operated by 47 member districts in 11 different Ohio counties. The member districts are comprised of public districts and educational service centers. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors. During fiscal year 2014, the District paid \$63,757 to OME-RESA for various services.

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

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TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Tuscarawas County Tax Incentive Review Council

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

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations. During fiscal year 2014, no monies were paid to the TCTIRC by the District.

PUBLIC ENTITY RISK POOL

Workers' Compensation Group Rating Program

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Food service fund - The food service fund is used to account for and report financial transactions related to food service operations.

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

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

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

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

TAX BUDGET

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

ESTIMATED RESOURCES

The Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final certificates of estimated resources issued during fiscal year 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

APPROPRIATIONS

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

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted by the Board of Education during fiscal year 2014.

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

Although the legal level of budgetary control was established at the fund, function, object, special cost center level for the general fund and at the fund level of expenditures for all other funds, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

LAPSING OF APPROPRIATIONS

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

F. Cash and Cash Equivalents

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

The District held no investments during fiscal year 2014.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. During fiscal year 2014 there was no interest revenue credited to the general fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 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 District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

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

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. The District does not possess infrastructure.

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

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	25 - 40 years
Furniture and equipment	5 - 15 years
Vehicles	10 years

I. Interfund Balances

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 10 years of service or any age with at least 20 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

M. Net Position

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

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

N. Estimates

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

O. Interfund Activity

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

Q. 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 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Major funds</u>	<u>Deficit</u>
General fund	\$ 221,105
Food service fund	581,643
 <u>Nonmajor funds</u>	
Public school preschool	873
IDEA Part-B	11,313
Title I - disadvantaged children	13,358
Improving teacher quality	3,773
Management information system	36

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

NOTE 4 - DEPOSITS

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 – DEPOSITS – (Continued)

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS - (Continued)

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

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

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$1,391,314. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$250,000 of the District's bank balance of \$1,536,004 was covered by the FDIC, while \$1,286,004 was exposed to custodial risk as discussed below.

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

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

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

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2014:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	<u>\$ 1,391,314</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS - (Continued)

<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 1,332,531
Private-purpose trust fund	528
Agency fund	<u>58,255</u>
Total	<u>\$ 1,391,314</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances for the year ended June 30, 2014, consisted of the following due to/from other funds, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Food service	\$ 543,269
	Nonmajor governmental funds	<u>5,104</u>
		<u>\$ 548,373</u>

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

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

- B. Interfund transfers consisted of the following at June 30, 2014, as reported on the fund statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
Nonmajor governmental fund	General fund	<u>\$ 58,755</u>

These residual balance transfers were made in order to close-out certain funds and return unused monies to the general fund.

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

NOTE 6 - PROPERTY TAXES

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Tuscarawas, Guernsey and Coshocton Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$380,889 in the general fund, \$4,952 in the classroom maintenance fund (a nonmajor governmental fund) and \$25,031 in the debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$374,762 in the general fund, \$4,973 in the classroom maintenance fund (a nonmajor governmental fund) and \$25,636 in the debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow. The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 86,715,900	90.80	\$ 89,529,860	89.08
Public utility personal	<u>8,790,130</u>	<u>9.20</u>	<u>10,976,970</u>	10.92
Total	<u>\$ 95,506,030</u>	<u>100.00</u>	<u>\$ 100,506,830</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:	\$ 52.40		\$ 52.00	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 3,233,517
Intergovernmental	<u>160,477</u>
Total	<u>\$ 3,393,994</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2014</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 121,788	\$ -	\$ -	\$ 121,788
Total capital assets, not being depreciated	<u>121,788</u>	<u>-</u>	<u>-</u>	<u>121,788</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,800,857	8,910	-	1,809,767
Buildings and improvements	20,020,131	-	-	20,020,131
Furniture and equipment	2,774,406	27,892	-	2,802,298
Vehicles	<u>917,962</u>	<u>100,400</u>	<u>-</u>	<u>1,018,362</u>
Total capital assets, being depreciated	<u>25,513,356</u>	<u>137,202</u>	<u>-</u>	<u>25,650,558</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,139,422)	(97,924)	-	(1,237,346)
Buildings and improvements	(7,579,908)	(436,623)	-	(8,016,531)
Furniture and equipment	(2,326,059)	(85,702)	-	(2,411,761)
Vehicles	<u>(774,826)</u>	<u>(25,493)</u>	<u>-</u>	<u>(800,319)</u>
Total accumulated depreciation	<u>(11,820,215)</u>	<u>(645,742)</u>	<u>-</u>	<u>(12,465,957)</u>
Governmental activities capital assets, net	<u>\$ 13,814,929</u>	<u>\$ (508,540)</u>	<u>\$ -</u>	<u>\$ 13,306,389</u>

Depreciation expense was charged to governmental functions as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - CAPITAL ASSETS – (Continued)

<u>Instruction:</u>	
Regular	\$ 329,244
Special	40,015
Vocational	3,109
 <u>Support services:</u>	
Pupil	4,852
Instructional staff	34,312
Administration	11,631
Fiscal	2,436
Operations and maintenance	54,308
Pupil transportation	25,687
Other non-instructional services	9,697
Extracurricular activities	98,400
Food service operations	<u>32,051</u>
 Total depreciation expense	 <u><u>\$ 645,742</u></u>

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$102,107. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 was \$30,632, leaving a current book value of \$71,475. A corresponding liability was recorded on the statement of net position. Principal and interest payments in the 2014 fiscal year totaled \$19,059 and \$4,063, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

Fiscal Year	
<u>Ending June 30,</u>	<u>Amount</u>
2015	\$ 23,123
2016	23,123
2017	23,123
2018	<u>7,708</u>
 Total minimum lease payments	 77,077
Less: Amount representing interest	<u>(6,217)</u>
 Total	 <u><u>\$ 70,860</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 10 - LEASE-PURCHASE AGREEMENT

On June 15, 2001, the District entered into a lease-purchase agreement with Banc One Leasing Corporation for the financing of the reconstruction and improvement of Lee Stadium, which includes bleachers, new all-weather track facilities and a concession/restroom building. The source of revenue to fund the principal and interest payments is derived from the Vernon and Edith Lee trust fund. The trust agreement stipulates that the monies donated to the District are to be used under the direction of the Board of Education for the maintenance, repair, construction and reconstruction to the District's athletic facilities. During fiscal year 2014, the District made principal payments totaling \$81,872 and interest payments totaling \$13,128 on the lease-purchase agreement. The lease payments are recorded as expenditures in the permanent fund (a nonmajor governmental fund).

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

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 95,000
2016	<u>79,734</u>
Total minimum lease payments	174,734
Less: amount representing interest	<u>(24,765)</u>
Total	<u>\$ 149,969</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 - LONG-TERM OBLIGATIONS

- A.** During the fiscal year 2014, the following activity occurred in governmental activities long-term obligations:

<u>Governmental activities:</u>	<u>Balance</u>			<u>Balance</u>	<u>Amount</u>
	<u>06/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/14</u>	<u>Due Within</u>
					<u>One Year</u>
<u>General obligation bonds</u>					
Current interest refunding bonds-series 2010	\$ 1,740,000	\$ -	\$ (185,000)	\$ 1,555,000	\$ 185,000
Capital appreciation refunding bonds-series 2010	9,998	-	-	9,998	-
Accreted interest-series 2010	<u>13,295</u>	<u>9,377</u>	<u>-</u>	<u>22,672</u>	<u>-</u>
Total general obligation bonds	<u>1,763,293</u>	<u>9,377</u>	<u>(185,000)</u>	<u>1,587,670</u>	<u>185,000</u>
Capital leases	89,919	-	(19,059)	70,860	20,035
Lease-purchase agreement payable	244,969	-	(81,872)	163,097	86,724
Compensated absences	<u>357,757</u>	<u>110,823</u>	<u>(77,394)</u>	<u>391,186</u>	<u>93,192</u>
Total long-term obligations	<u>\$ 2,455,938</u>	<u>\$ 120,200</u>	<u>\$ (363,325)</u>	<u>2,212,813</u>	<u>\$ 384,951</u>
				<u>Add: Unamortized premium on bonds - 2010</u>	<u>100,571</u>
				<u>Total reported on statement of net position</u>	<u>\$ 2,313,384</u>

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

B. Series 2010 Refunding General Obligation Bonds

On December 1, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to currently refund the callable portion of the Series 2001 school improvement general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded general obligation bonds at June 30, 2014, is \$1,564,998.

The refunding issue is comprised of both current interest bonds, par value \$2,100,000, and capital appreciation bonds par value \$9,998. The interest rates on the current interest bonds range from 2.00% - 4.25%. The capital appreciation bonds mature on December 1, 2019 (stated interest rate 36.860%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing each December 1, 2019 is \$210,000. Total accreted interest of \$22,672 has been included in the statement of net position at June 30, 2014.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

- C. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds - Refunding 2010			Capital Appreciation Bonds - Refunding 2010		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 185,000	\$ 49,856	\$ 234,856	\$ -	\$ -	\$ -
2016	195,000	45,338	240,338	-	-	-
2017	195,000	39,975	234,975	-	-	-
2018	200,000	33,800	233,800	-	-	-
2019	205,000	26,962	231,962	-	-	-
2020 - 2023	<u>575,000</u>	<u>56,413</u>	<u>631,413</u>	<u>9,998</u>	<u>200,002</u>	<u>210,000</u>
Total	<u>\$ 1,555,000</u>	<u>\$ 252,344</u>	<u>\$ 1,807,344</u>	<u>\$ 9,998</u>	<u>\$ 200,002</u>	<u>\$ 210,000</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$7,715,801 (including available funds of \$235,184) and an unvoted debt margin of \$100,507.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 12 - EMPLOYEE BENEFITS - (Continued)

B. Life Insurance

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

C. Retirement Incentive

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

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District contracted with Ohio School Plan for property insurance, for fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Ohio School Plan are as follows:

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

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

B. Workers' Compensation

For fiscal year 2014, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (See Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Sheakley UniServe provides administrative, cost control and actuarial services to the Plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - RISK MANAGEMENT - (Continued)

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

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The claims liability of \$216,332 reported in the internal service fund at June 30, 2014, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2014	\$ 221,670	\$ 2,038,586	\$ (2,043,924)	\$ 216,332
2013	\$ 105,044	\$ 1,866,031	\$ (1,749,405)	\$ 221,670

NOTE 14 - 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 District 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 2014, 13.05 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 14 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, 2014, 2013 and 2012 were \$190,562, \$184,517 and \$182,772, respectively; 80.25 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 11 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, 2014, 2013 and 2012 were \$553,130, \$564,052 and \$570,071, respectively; 83.34 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$16,200 made by the District and \$12,729 made by the plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 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".

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$26,039, \$23,453 and \$36,906, respectively; 80.25 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$11,056, \$10,423 and \$10,794, respectively; 80.25 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 2014, 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, 2014, 2013 and 2012 were \$42,548, \$43,389 and \$43,852, respectively; 83.34 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General fund	Food Service Fund
Budget basis	\$ (209,546)	\$ (30,224)
Net adjustment for revenue accruals	6,724	22,451
Net adjustment for expenditure accruals	(135,383)	(18,709)
Net adjustment for other sources/uses	(15,657)	-
Funds budgeted elsewhere	15,184	-
Adjustment for encumbrances	23,966	-
GAAP basis	\$ (314,712)	\$ (26,482)

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

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 18 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	185,928
Current year qualifying expenditures	-
Current year offsets	(40,179)
Prior year offset from bond proceeds	<u>(145,749)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

In prior fiscal years, the District issued \$3,037,000 in general obligation bonds. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$2,410,185 at June 30, 2014.

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 20,457
Other governmental	<u>516</u>
Total	<u>\$ 20,973</u>

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**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013/2014	10.555	\$ 32,847	\$ 32,847
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	106,386	106,386
National School Lunch Program	2013/2014	10.555	274,199	274,199
Cash Assistance Subtotal			<u>380,585</u>	<u>380,585</u>
Total Child Nutrition Cluster			<u>413,432</u>	<u>413,432</u>
Total U.S. Department of Agriculture			413,432	413,432
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013 2014	84.010	40,971 <u>502,221</u>	75,533 <u>506,558</u>
Total Title I Grants to Local Educational Agencies			543,192	582,091
Special Education - Grants to States	2013 2014	84.027	33,620 <u>259,474</u>	36,829 <u>260,069</u>
Total Special Education - Grants to States			293,094	296,898
Educational Technology State Grants	2013	84.298	(1,980)	
Rural Education	2013 2014	84.358	15,634 <u>21,394</u>	17,049 <u>21,394</u>
Total Rural Education			37,028	38,443
Improving Teacher Quality State Grants	2004 2005 2013 2014	84.367	(26,248) (11,163) 13,078 <u>82,938</u>	 13,509 <u>82,982</u>
Total Improving Teacher Quality State Grants			58,605	96,491
Total U.S. Department of Education			<u>929,939</u>	<u>1,013,923</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,343,371</u>	<u>\$ 1,427,355</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2013 to 2014 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
Title I Grants to Local Educational Agencies	84.010	\$ 5,422
Special Education - Grants to States	84.027	3,665



Dave Yost • Auditor of State

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

Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

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 the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 1, 2015.

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 opinions 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2014-001 and 2014-002.

Entity's Response to Finding

The District's responses to the findings identified in our audit are 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

July 1, 2015



Dave Yost • Auditor of State

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

Newcomerstown Exempted Village School District
Tuscarawas County
702 South River Street
Newcomerstown, Ohio 43832

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Newcomerstown Exempted Village School District's, Tuscarawas County, Ohio (the District,) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in Findings 2014-003 through 2014-007 in the accompanying Schedule of Findings, the District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-003	10.553 & 10.555	Child Nutrition Cluster	Reporting
2014-004	10.553 & 10.555	Child Nutrition Cluster	Reporting
2014-005	10.553 & 10.555	Child Nutrition Cluster	Reporting
2014-006	10.553 & 10.555	Child Nutrition Cluster	Special Tests and Provisions
2014-007	10.553 & 10.555	Child Nutrition Cluster	Special Tests and Provisions

Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Nutrition Cluster for the year ended June 30, 2014.

Unmodified Opinion on Title I Program

In our opinion, the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended June 30, 2014.

Other Matters

The District's response to our noncompliance findings are described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2014-003 through 2014-007 to be material weaknesses.

The District's response to our internal control over compliance findings are described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 1, 2015

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**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion: <ul style="list-style-type: none"> • Child Nutrition Cluster – Unmodified except for Reporting and Special Tests and Provisions are Qualified • Title I Grants to Local Educational Agencies – Unmodified 	
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies - CFDA #84.010 • Child Nutrition Cluster - CFDA #10.553 and 10.555 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

Finding Number 2014-001

Noncompliance

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

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

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2014-001 (Continued)

Noncompliance – Ohio Rev. Code § 5705.10(I) (Continued)

During the audit period, the Food Service Fund incurred a negative cash fund balance in the amounts of \$533,592 to \$600,553. Also, the Vernon & Edith Lee Trust Fund incurred a negative cash fund balance of \$46,683. As a result, monies from other funds were used to cover the obligations incurred by these funds.

Starting in 2003, the District has maintained a deficit in the Food Service Fund. As in past years, during 2014, the Food Service Fund sustained a net loss of (\$30,224) thereby increasing the deficit fund cash balance to (\$543,269) at June 30, 2014. Throughout the last eleven years the Board has failed to transfer adequate monies from the General Fund to cover the deficit to the Food Service Fund, as required by Ohio Rev. Code § 3318.81. In addition, during this period the Board has not adopted a formal plan to address the deficit in the food service fund, but have tried different approaches in prior years to make the fund self-sustaining. In lieu of the Board not formally adopting a plan to address the deficit cash balance in the food service fund, the audit opinion could be qualified in future audits. At the June 17, 2015 board meeting, the District transferred \$144,000 to the Food Service Fund.

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

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

Finding Number 2014-002

Noncompliance

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

As of June 30, 2014, Food Service Fund appropriations of \$550,000 exceeded estimated resources of \$1,954 by \$548,046. This is a direct result of a year-end negative cash fund balance.

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

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

Finding Number 2014-002 (Continued)

Noncompliance – Ohio Rev. Code § 5705.39 (Continued)

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

3. FINDINGS FOR FEDERAL AWARDS

Reporting

Finding Number	2014-003
CFDA Title and Number	Child Nutrition Cluster - CFDA #10.553 and 10.555
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness

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

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

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2014-003 (Continued)

Noncompliance and Material Weakness – 7 CFR part 210.8(a) (Continued)

The District implemented limited internal control procedures to ensure the data captured by the point-of-sale cash registers (POS) was complete or accurate. There was little to no documentation provided to reflect the CN-7 daily worksheet daily counts were compared with the average daily attendance for students at each building. The District completes the monthly Site Claim Forms from data captured by the POS and did not ensure the data submitted on monthly Site Claim Forms was accurate and complete. The average number of students who have access to lunch program (ADM) and average daily attendance factor (ADA) amounts report on the CN 6/7 reports are to be used as edit checks for accurate submission of lunch room counts each month. The Food Service Director maintained that daily the cashiers would check the Daily Sales Report to the number of students served on the Production report, but this control was not documented by the District.

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

- Compare the daily number of free and reduced-priced meals served against the number of students reported on the CN 6/7 reports under ADM as free, reduced and paid. Free and reduced-priced meals may not be claimed in excess of the maximum number of students approved for such benefits.
- Compare the daily number of paid, reduced-price, and free lunches served against the number of students eligible times an attendance factor. Meal counts which are greater than the average daily attendance (ADA) must have documentation to support them.

If the counts cannot be justified, appropriate corrections must be made before the monthly Site Claim Form is submitted to Ohio Department of Education for reimbursement.

Officials' Response: See Corrective Action Plan.

Reporting

Finding Number	2014-004
CFDA Title and Number	Child Nutrition Cluster - CFDA #10.553 and 10.555
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness

7 CFR part 210.7(c) *Reimbursement limitations*. To be entitled to reimbursement under this part, each school food authority (School District) shall ensure that Claims for Reimbursement are limited to the number of free, reduced price and paid lunches and meal supplements that are served to children eligible for free, reduced price and paid lunches and meal supplements, respectively, for each day of operation.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2014-004 (Continued)

Noncompliance and Material Weakness – 7 CFR part 210.7(c) (Continued)

7 CFR part 210.7(c)(1) *Lunch count system*. To ensure that the Claim for Reimbursement accurately reflects the number of lunches and meal supplements served to eligible children, the school food authority shall, at a minimum:

- (iii) Base Claims for Reimbursement on lunch counts, taken daily at the point of service, which correctly identify the number of free, reduced price and paid lunches served to eligible children;
- (iv) Correctly record, consolidate and report those lunch and supplement counts on the Claim for Reimbursement; and
- (v) Ensure that Claims for Reimbursement do not request payment for any excess lunches produced, as prohibited in § 210.10(a)(2), or non-Program lunches (i.e., a la carte or adult lunches) or for more than one meal supplement per child per day.

Our review of the lunch counting system maintained by the District to capture lunches served indicated that the point of sale (POS) system was properly capturing the free, reduced and paid lunches served. The POS was properly reporting these daily counts of lunches served on the CN reports. These reports were used to prepare the monthly Site Claim Form for the Ohio Department of Education. We did note one exception on the December 2013 CN-7 for the East Elementary School. On December 13, 2013 the District reported 132 free lunches served but the maximum number of students eligible at the East Elementary School for free lunches was 93. Therefore, the District requested and received reimbursement for 39 more free lunches served than allowed. Also, the CN-7 for the East Elementary School on December 13, 2013 reported 25 reduced lunches served but the maximum eligible students for reduced meals was 16, therefore the District was over-reimbursed by 9 reduced meals. This December 2013 request for East Elementary allowed the District to received approximately \$138.00 in unsupported reimbursement monies.

In addition, in November 2013 the District submitted the 2013 October Site Claim Forms for lunches served and the counts of free, reduced and total average daily students eligible for lunch access (ADM) for each building in the District. Upon confirming these ADM counts to EMIS reports, we determined that the total enrollment, free applicants and reduced price applicants submitted to ODE differed from our audited amounts using EMIS reports from the same period. The free/reduced report on the October 2013 Site Claim Form at the Middle School was 125 and our audited amount was 120.

Also, the ADM amounts reported on the October 2013 Site Claim Form at each building differed from our audited amounts by the following amounts: East Elementary reported total ADM of 172 students, our audited amount for East Elementary was 151, West Elementary reported total ADM of 355 students, our audited amount for West Elementary was 343, the Middle School reported total ADM of 249 students, our audited amount for the Middle School was 236 and the High School reported total ADM of 256 students, our audited amount was for the High School was 241 students.

The District filed the SFA Verification Collection Report for SY2013-14 with the Ohio Department of Education on November 26, 2013 and reported a total enrollment of 1,039 students of which 574 students eligible for free meals and 108 students eligible for reduced-price meals, but our testing using a customized EMIS report indicates total enrollment of 971 students eligible for meals, of which 519 students were eligible for free meals and 103 students eligible for reduced-price meals on November 13, 2013.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2014-004 (Continued)

Noncompliance and Material Weakness – 7 CFR part 210.7(c) (Continued)

We recommend the District adopt procedures to ensure that the information submitted to Ohio Department of Education for the monthly Site Claims Forms and SFA Verification Collection Report be based on reliable and supportable evidence.

Officials' Response: See Corrective Action Plan.

Reporting

Finding Number	2014-005
CFDA Title and Number	Child Nutrition Cluster - CFDA #10.553 and 10.555
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness

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

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

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

Officials' Response: See Corrective Action Plan.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Special Tests and Provisions

Finding Number	2014-006
CFDA Title and Number	Child Nutrition Cluster - CFDA #10.553 and 10.555
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness

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

Our review of the internal control procedures over inventory disclosed there was a lack of internal controls and accountability. The District's food service director provided us with monthly inventory sheets, but these sheets only contained an inventory count at a point in time. Each serving point did an informal physical count of inventory at the end of the month. The District did not maintain perpetual inventories for commodities or regular food purchases that would reflect beginning inventory, purchases, used and ending inventory. Also, the food service director acknowledged that freezers had non-operating locks during the audit period. In addition, various people had keys to the food storage areas, including food service director, all cooks, some food vendors, building custodians and maintenance staff. The District purchased surveillance cameras and monitors but the system was never installed at any of the food storage locations.

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

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

Officials' Response: See Corrective Action Plan.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Special Tests and Provisions

Finding Number	2014-007
CFDA Title and Number	Child Nutrition Cluster - CFDA #10.553 and 10.555
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness

7 CFR part 210.14(e) for school year beginning July 1, 2011, school food authorities (School District) shall establish prices for paid lunches in accordance with this paragraph.

- (1) Calculation procedures. Each school food authority shall:
 - (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
 - (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);
 - (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section.
- (2) Average paid lunch price is equal to/greater than the reimbursement difference. When the average paid lunch price from the prior school year is equal to or greater than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average paid lunch price for the current school year that is not less than the difference identified in (e)(1)(iii) of this section; except that, the school food authority may use the procedure in paragraph (e)(4)(ii) of this section when establishing prices of paid lunches.
- (3) Average lunch price is lower than the reimbursement difference. When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:
 - (i) 2 percent; and
 - (ii) The percentage change in the Consumers Price Index for All Urban Consumers.

The District did not provide the calculations for the school year 2013-14 Paid Lunch Equity calculation for audit. The Food Service Director indicated the calculation was performed and sent to Ohio Department of Education on June 17, 2013, but she forgot to make copies of the calculation amounts from the 2013-2014 ODE paid lunch calculator tool. The USDA benchmark for the SY2013-14 weighted average price was \$2.59. We calculated the District's SY2012-13 weighted average to be \$2.49. For SY2013-14 the District increased elementary lunch price from \$2.25 to \$2.50. We reviewed, the SY2013-14 weighted average calculation used for the SY2014-2015 calculation, the actual weighted average for SY2013-14 was \$2.58 falling short of USDA benchmark weighted average of \$2.59.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2014-007 (Continued)

Noncompliance and Material Weakness – 7 CFR part 210.14(e) (Continued)

We recommend the School District implement a control procedure to ensure the Price Equity report is prepared and printed. The District should maintain a copy of the print-out calculation for the Paid Lunch Equity and all source documentation to support the calculation and maintain these documents until the audit has been completed

Officials' Response: See Corrective Action Plan.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-001	Ohio Rev. Code § 5705.10(I) requires that monies paid into any fund be used only for the purpose for which fund has been established. Throughout fiscal year 2013 and as of June 30, 2013, the Food Service Fund incurred cash fund balances between \$480,950 and \$595,393.	No	Not corrected, the negative balance at June 30, 2014 was \$543,269.
2013-002	34 CFR. Part 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of funds and their disbursement. During fiscal year 2013, the Title I Fund had seven of eleven drawdowns not spent by the end of the month for which the funds were requested.	Yes	

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-003	The School Board eliminated the position of Food Service Director. The School Board is in negotiations with a food service contractor to provide dining service during SY2015-16.	7/31/2015	Christie Green, Treasurer
2014-004	The School Board eliminated the position of Food Service Director. The School Board is in negotiations with a food service contractor to provide dining service during SY2015-16.	7/31/2015	Christie Green, Treasurer
2014-005	The School Board eliminated the position of Food Service Director. The School Board is in negotiations with a food service contractor to provide dining service during SY2015-16.	7/31/2015	Christie Green, Treasurer
2014-006	The School Board eliminated the position of Food Service Director. The School Board is in negotiations with a food service contractor to provide dining service during SY2015-16.	7/31/2015	Christie Green, Treasurer
2014-007	The School Board eliminated the position of Food Service Director. The School Board is in negotiations with a food service contractor to provide dining service during SY2015-16.	7/31/2015	Christie Green, Treasurer

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Dave Yost • Auditor of State

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 8, 2015**