



Dave Yost • Auditor of State

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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MIAMI COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, Ohio (the District), as of and for the years ended June 30, 2015 and 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, Ohio, as of June 30, 2015 and 2014, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2016, 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.



Dave Yost
Auditor of State
Columbus, Ohio

April 18, 2016

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

This discussion and analysis of the Newton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for fiscal year 2015 are as follows:

- Net position of governmental activities increased \$155,484, or about 5 percent.
- The District's receipts are primarily property and income taxes and unrestricted intergovernmental receipts and contributions, which accounted for about 82 percent of the total cash received during fiscal year 2015 of \$7,138,117. Program specific revenues in the form of charges for services and sales, and operating grants and contributions and capital grants and contributions and interest of \$1,289,978 were 18 percent of total revenues for fiscal year 2015. The remaining receipts were investment earnings and miscellaneous receipts, which were about 1 percent of total receipts.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)
(Continued)**

Reporting the District as a Whole

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

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

Reporting the District's Most Significant Funds

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

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2015, along with 2014 for comparison purposes:

**Table 1
Net Position**

	2015	2014
Assets:		
Cash in Pooled Cash and Cash Equivalents	\$3,422,072	\$3,266,588
Total Assets	3,422,072	3,266,588
Net Position:		
Restricted for:		
Debt Service	631,965	583,752
Capital Outlay	395,139	378,804
Other Purposes	211,298	266,305
Unrestricted	2,183,670	2,037,727
Total Net Position	\$3,422,072	\$3,266,588

As mentioned previously, net position of governmental activities increased \$155,484, or about 5 percent during fiscal year 2015. Unrestricted net position increased due to careful monitoring of expenses and an increase in revenue.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)
(Continued)**

Table 2 reflects the changes in net position in fiscal year 2015, along with a comparative analysis of the changes in net position for fiscal year 2014.

**Table 2
Changes in Net Position**

	Governmental Activities 2015	Governmental Activities 2014
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$965,810	\$933,213
Operating Grants and Contributions	320,730	348,179
Capital Grants, Contributions and Interest	3,438	71
Total Program Receipts	<u>1,289,978</u>	<u>1,281,463</u>
General Receipts:		
Property and Other Local Taxes	1,964,873	1,914,963
Income Taxes	1,373,283	1,291,710
Grants and Entitlements not Restricted to Specific Programs	2,456,035	2,443,990
Interest	2,424	1,264
Miscellaneous	51,524	21,029
Total General Receipts	<u>5,848,139</u>	<u>5,672,956</u>
Total Receipts	<u>7,138,117</u>	<u>6,954,419</u>
Disbursements:		
Instruction:		
Regular	3,145,497	2,849,753
Special	425,229	423,177
Vocational	3,066	2,486
Other	155,666	229,833
Support Services:		
Pupils	111,037	114,121
Instructional Staff	163,890	170,004
Board of Education	924	1,045
Administration	714,214	734,337
Fiscal	202,411	199,421
Operation and Maintenance of Plant	585,078	497,648
Pupil Transportation	235,525	249,998
Central	6,303	4,964
Operation of Non-Instructional Services	242,000	247,124
Extracurricular Activities	340,376	306,017
Debt Service:		
Principal Retirement	239,737	241,879
Interest and Fiscal Charges	411,680	411,778
Total Disbursements	<u>6,982,633</u>	<u>6,683,585</u>
Change in Net Position	155,484	270,834
Net Position, July 1	<u>3,266,588</u>	<u>2,955,743</u>
Net Position, June 30	<u>\$3,422,072</u>	<u>\$3,226,588</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)
(Continued)**

Property and income taxes accounted for 46.8 percent of the District's receipts in fiscal year 2015. Unrestricted intergovernmental grants and contributions accounted for about 34.4 percent of the total cash received in fiscal year 2015. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants, contributions and interest accounted for \$1,289,978, or 18.1 percent of total revenues in fiscal year 2015. Investment earnings and miscellaneous receipts accounted for less than one percent of total receipts in fiscal year 2015.

Instruction accounted for approximately 53 percent of total cash disbursements for fiscal year 2015, with regular instruction comprising 45 percent of total disbursements. Support services accounted for 29 percent of disbursements during fiscal year 2015.

If you look at the Statement of Activities on page 12, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Cash Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by property taxes, unrestricted State entitlements and investment earnings.

	2015		2014	
	Total Cost	Net Cost	Total Cost	Net Cost
Instruction:				
Regular	\$3,145,497	\$2,352,528	\$2,849,753	\$2,111,138
Special	425,229	297,725	423,177	259,637
Vocational	3,066	3,066	2,486	2,486
Other	155,666	155,666	229,833	229,833
Support Services:				
Pupils	111,037	77,171	114,121	80,876
Instructional Staff	163,890	163,890	170,004	170,004
Board of Education	924	924	1,045	1,045
Administration	714,214	684,556	734,337	701,505
Fiscal	202,411	198,811	199,421	195,821
Operation and Maintenance of Plant	585,078	585,078	497,648	495,404
Pupil Transportation	235,525	235,525	249,998	249,998
Central	6,303	459	4,974	520
Operation of Non-Instructional Services	242,000	30,391	247,124	25,307
Extracurricular Activities	340,376	258,886	306,017	224,962
Capital Outlay		(3,438)		(71)
Debt Service:				
Principal Retirement	239,737	239,737	241,879	241,879
Interest and Fiscal Charges	411,680	411,680	411,778	411,778
Total	\$6,982,633	\$5,692,655	\$6,683,585	\$5,402,122

Charges for services and sales, and operating grants and contributions and capital grants and contributions of about 18 percent of total cash receipts were received and used to fund the expenses of the District during fiscal year 2015. The remaining 82 percent of cash receipts were from property and income taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)
(Continued)**

The District's Funds

All funds of the District are governmental funds. Total funds cash receipts were \$7,138,117 and total fund disbursements were \$6,982,633 for fiscal year 2015. The greatest change within the funds occurred in the General Fund, which had an increase of \$145,943 in fund balance in fiscal year 2015 due to careful monitoring of expenditures and a slight increase in revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the School District amended its General Fund budget once. The original budget basis revenue was \$5,486,283 and the final budget basis revenue was \$5,759,271. The original budget basis expenditures were \$5,201,196 and the final budget basis expenditures were \$5,656,985.

During fiscal year 2015, the School District budgeted and received \$1,293,701 in property taxes and budgeted and received \$2,334,925 in intergovernmental revenues in the General Fund.

Capital Assets

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

Debt Administration

At June 30, 2014, the School District had current interest bonds outstanding in the amount of \$6,125,000, and capital appreciation bonds outstanding in the amount of \$23,481. During fiscal year 2015, the District paid \$175,000 in principal on the current interest bonds and \$23,481 in principal on the capital appreciation bonds. At June 30, 2015, the District had \$5,950,000 outstanding in current interest bonds.

At June 30, 2014, the District also had a tax anticipation note outstanding in the amount of \$170,583. These notes were issued to help finance the construction of public school facilities. During fiscal year 2015, \$41,255 was repaid on the notes. The balance outstanding on the note at June 30, 2015 was \$129,328. For more information on the School District's debt see note 12 of the notes to the financial statements.

Current Issues

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

Contacting the District's Financial Management

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

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,422,072
Total Assets	<u><u>\$3,422,072</u></u>
Net Position:	
Restricted for:	
Debt Service	\$631,965
Capital Outlay	395,139
Other Purposes	211,298
Unrestricted	2,183,670
Total Net Position	<u><u>\$3,422,072</u></u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Program Cash Receipts			Net (Disbursements)
	Cash	Charges	Operating Grants	Receipts and
		for Services		Capital Grants,
Disbursements	and Sales	and Contributions	Contributions,	Net Position
			and Interest	Governmental
				Activities
Governmental Activities:				
Instruction:				
Regular	\$3,145,497	\$726,703	\$66,266	(\$2,352,528)
Special	425,229		127,504	(297,725)
Vocational	3,066			(3,066)
Other	155,666			(155,666)
Support Services:				
Pupil	111,037		33,866	(77,171)
Instructional Staff	163,890			(163,890)
Board of Education	924			(924)
Administration	714,214	23,123	6,535	(684,556)
Fiscal	202,411		3,600	(198,811)
Operation and Maintenance of Plant	585,078			(585,078)
Pupil Transportation	235,525			(235,525)
Central	6,303		5,844	(459)
Operation of Non-Instructional Services	242,000	134,494	77,115	(30,391)
Extracurricular Activities	340,376	81,490		(258,886)
Capital Outlay			\$3,438	3,438
Debt Service:				
Principal	239,737			(239,737)
Interest	411,680			(411,680)
Totals	\$6,982,633	\$965,810	\$320,730	\$3,438
				(5,692,655)

General Receipts:

Property Taxes Levied for:

General Purposes	1,293,701
Debt Service	568,082
Capital Outlay	74,976
Classroom Maintenance	28,114
Income Taxes Levied for General Purposes	1,373,283
Grants and Entitlements not Restricted to Specific Programs	2,456,035
Interest	2,424
Miscellaneous	51,524
Total General Receipts	5,848,139
Change in Net Position	155,484
Net Position Beginning of Year	3,266,588
Net Position End of Year	\$3,422,072

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,183,670	\$631,965	\$606,437	\$3,422,072
Total Assets	<u>\$2,183,670</u>	<u>\$631,965</u>	<u>\$606,437</u>	<u>\$3,422,072</u>
Fund Balances:				
Restricted		631,965	606,437	1,238,402
Assigned	62,834			62,834
Unassigned	2,120,836			2,120,836
Total Fund Balances	<u>2,183,670</u>	<u>631,965</u>	<u>606,437</u>	<u>3,422,072</u>
Total Liabilities and Fund Balances	<u>\$2,183,670</u>	<u>\$631,965</u>	<u>\$606,437</u>	<u>\$3,422,072</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property Taxes	\$1,293,701	\$568,082	\$103,090	\$1,964,873
Income Tax	1,373,283			1,373,283
Intergovernmental	2,334,925	92,054	334,124	2,761,103
Interest	2,424		110	2,534
Tuition and Fees	726,703			726,703
Extracurricular Activities	22,065		81,490	103,555
Contributions and Donations	3,328		10,876	14,204
Customer Sales and Services			132,486	132,486
Rent	2,600			2,600
Miscellaneous	48,924		7,852	56,776
Total Receipts	<u>5,807,953</u>	<u>660,136</u>	<u>670,028</u>	<u>7,138,117</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,069,431		76,066	3,145,497
Special	295,590		129,639	425,229
Vocational	1,066		2,000	3,066
Other	155,666			155,666
Support Services:				
Pupil	76,220		34,817	111,037
Instructional Staff	147,361		16,529	163,890
Board of Education	924			924
Administration	706,002		8,212	714,214
Fiscal	187,777	9,332	5,302	202,411
Operation and Maintenance of Plant	494,539		90,539	585,078
Pupil Transportation	235,525			235,525
Central			6,303	6,303
Operation of Non-Instructional Services	28,569		213,431	242,000
Extracurricular Activities	263,340		77,036	340,376
Debt Service:				
Principal		198,482	41,255	239,737
Interest		404,109	7,571	411,680
Total Disbursements	<u>5,662,010</u>	<u>611,923</u>	<u>708,700</u>	<u>6,982,633</u>
Excess of Receipts Over (Under) Disbursements	145,943	48,213	(38,672)	155,484
Fund Balances Beginning of Year	<u>2,037,727</u>	<u>583,752</u>	<u>645,109</u>	<u>3,266,588</u>
Fund Balances End of Year	<u>\$2,183,670</u>	<u>\$631,965</u>	<u>\$606,437</u>	<u>\$3,422,072</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$1,282,677	\$1,293,701	\$1,293,701	
Income Taxes	1,275,000	1,373,283	1,373,283	
Intergovernmental	2,347,606	2,334,925	2,334,925	
Tuition and Fees	563,000	700,086	700,086	
Interest	1,100	2,424	2,424	
Gifts and Donations		3,328	3,328	
Rent	1,900	2,600	2,600	
Miscellaneous	15,000	48,924	48,924	
Total Receipts	<u>5,486,283</u>	<u>5,759,271</u>	<u>5,759,271</u>	
Disbursements:				
Current:				
Instruction:				
Regular	2,708,068	3,048,191	3,048,191	
Special	271,120	295,590	295,590	
Vocational	500	1,066	1,066	
Other	181,800	155,666	155,666	
Support Services:				
Pupil	44,900	76,220	76,220	
Instructional Staff	183,159	163,713	163,713	
Board of Education	4,250	924	924	
Administration	665,335	683,661	683,661	
Fiscal	191,735	187,274	187,274	
Business				
Operation and Maintenance of Plant	473,825	507,246	507,246	
Pupil Transportation	263,880	235,525	235,525	
Operational of Non-Instructional Services	28,000	28,569	28,569	
Extracurricular Activities	184,624	273,340	273,340	
Total Disbursements	<u>5,201,196</u>	<u>5,656,985</u>	<u>5,656,985</u>	
Excess of Receipts Over (Under) Disbursements	285,087	102,286	102,286	
Fund Balance Beginning of Year	<u>2,010,807</u>	<u>2,010,807</u>	<u>2,010,807</u>	
Prior Year Encumbrances Appropriated	<u>7,759</u>	<u>7,759</u>	<u>7,759</u>	
Fund Balance End of Year	<u>\$2,303,653</u>	<u>\$2,120,852</u>	<u>\$2,120,852</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$35,731</u>
Liabilities:	
Due to Students	<u>\$35,731</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Newton Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected five member Board form of government and provides educational services as mandated by state and federal agencies.

The District was established in 1923 through the consolidation of existing land areas and school districts. The District serves an area of approximately 42 square miles. It is located in Miami County, and includes all of the Village of Pleasant Hill and a portion of Darke County. The District currently operates one instructional- administrative building and one bus garage.

Reporting Entity

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

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

The District participates in three jointly governed organizations and an insurance purchasing pool. A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies. These organizations are discussed in Notes 13 and 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

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

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

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

1. Governmental Fund Types

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

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

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

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

2. Fiduciary Fund Type

Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs for students. The District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

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

1. Government-wide Financial Statements

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

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

2. Fund Financial Statements

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

C. Basis of Accounting

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

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

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

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

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

E. Cash, Cash Equivalents and Investments

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

The District values investments and cash equivalents at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2015.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipted into the General Fund during fiscal year 2015 was \$2,424 including \$870 assigned from other District funds.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Compensated Absences

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

I. Fund Balance

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

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

Restricted - Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

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

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

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

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

J. Net Position

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

K. Interfund Activity

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

L. Long-Term Debt

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

M. Intergovernmental Receipts

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

N. Program Receipts

In the statement of activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and sales, operating and capital grants, contributions, and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

O. Pension

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

3. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." This statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Government Employers" and Statement No. 50, "Pension Disclosures." The implementation of GASB Statement No. 68 had no impact on fund balance as previously reported at June 30, 2014.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. COMPLIANCE

Compliance

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

5. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

A. Deposits

At June 30, 2015, the carrying amount of the District's deposits was \$439,940 and the bank balance was \$466,152. Based on the criteria described in GASB Statement No. 40 "Deposit and Investment Risk Disclosures", as of June 30, 2015 \$114,514 of the District's bank balance of \$466,152 was exposed to custodial credit risk, while \$351,638 was covered by the FDIC.

B. Investments

As of June 30, 2015, the District had \$3,017,863 invested in STAR Ohio.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. At June 30, 2015, 100% of the District's investments were in STAR Ohio.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. STAR Ohio money market carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

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

Cash and Cash Equivalents/Deposits	
GASB Statement No. 9	\$3,457,803
Investments:	
STAR Ohio	(3,017,863)
GASB Statement No. 3	<u>\$439,940</u>

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Darke and Miami County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2015 taxes were collected are:

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. PROPERTY TAXES (Continued)

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$71,238,580	97.76%	\$71,701,990	97.70%
Public Utility – Personal	1,631,150	2.24	1,684,340	2.30
Total Assessed Value	<u>\$72,869,730</u>	<u>100.00%</u>	<u>\$73,386,330</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.10		\$47.10	

7. INCOME TAX

The District levies a voted tax of one and three quarter percent for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts credited to the General Fund for fiscal year 2015 were \$1,373,283.

8. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2015 the District contracted for fleet insurance, crime, electronic data processing, equipment floater, property insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability and employment practices with Indiana Insurance Company and Netherlands Insurance Company through Phelan Insurance Agency. Insurance coverage provided at June 30, 2015 includes the following:

Building and Contents – at replacement cost (\$2,500 deductible)	\$23,305,000
Equipment Floater Coverage (\$1,000 deductible)	
Electronic Data Processing Coverage (\$1,000 deductible)	25,000
Crime Insurance (\$500 deductible)	170,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Education General Liability	
Each Occurrence	1,000,000
Personal and Advertising Injury Limit – each offense	1,000,000
Fire Damage Limit – any one event	300,000
Medical Expense (excluding students)	15,000
General Aggregate Limit	2,000,000
Products – completed operations limit	2,000,000
Employer's Liability and Stop Gap	
Each Employee	1,000,000
Aggregate Limit	3,000,000
Errors and Omissions Liability (\$2,500 deductible)	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000
Umbrella Coverage	
Per Occurrence	3,000,000
Aggregate	3,000,000

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

8. RISK MANAGEMENT (Continued)

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

B. Workers' Compensation

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

C. Medical Benefits

For fiscal year 2015, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 14). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

9. PENSION PLANS

A. Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. PENSION PLANS (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 25 years of service, or at any age with 30 years of service credit. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and employer contributions equal to 9.5 percent of earned compensation into an investment account. Investment decisions are made by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 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 defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. Therefore all three plans are included in the net pension liability.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled to only their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salaries. The District's contractually required contribution rate for pensions for the fiscal year ended June 30, 2015, was 14 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District for the year were \$357,160.

The District's proportionate share of the net pension liability is \$5,741,139. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the total contributions of all participating STRS Ohio employers. At June 30, 2014, the District's proportion was .0236033 percent, the same proportion as at June 30, 2013.

C. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	12.25 % at age 20 to 2.75% at age 70
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013, or later, 2% cost-of-living adjustment paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Project 2022-Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set-back from age 80 through 89 and no set-back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on results of an actuarial experience study effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and long-term expected real rate of return for each major asset class are summarized as follows:

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Yr. Expected Real Rate of Return</u>
Domestic Equity	31%	8.00%
International Equity	26%	7.85%
Alternatives	14%	8.00%
Fixed Income	18%	3.75%
Real Estate	10%	6.75%
Liquidity Reserves	1%	3.00%
Total	100%	

D. Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

E. Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) and one percentage point higher (8.75%) than the current assumption.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Net Pension Liability	<u>\$8,219,067</u>	<u>\$5,741,439</u>	<u>\$3,645,647</u>

Detailed information about the STRS Ohio's fiduciary net position is located in STRS Ohio's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. The CAFR is available at www.strsoh.org or by contacting STRS Ohio at: State Teachers Retirement System of Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771.

F. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple- employer defined benefit public employee retirement system. Established by state law in 1937, SERS provides retirement, disability, and survivor benefits to non-teaching employees of Ohio's public K-12 school districts, vocational, technical, and community schools, community colleges, and the University of Akron.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. PENSION PLANS (Continued)

SERS is governed by Chapter 3309 of the Ohio Revised Code. These statutes assign the authority to establish and amend the benefit provisions of the plan to the State Legislature. The operation of SERS and the direction of its policies are the responsibility of the Retirement Board of SERS. The Retirement Board is responsible for the general administration and management of SERS. The Board is composed of nine members: four elected employee members, two elected retiree members, and three appointed investment expert members. One investment expert is appointed by the Governor, a second one by the State Treasurer, and the third one jointly by the Speaker of the House and the President of the Senate.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 year of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

The District's contractually required contribution rate for pensions for the fiscal year ended June 30, 2015, was 13.18 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District for the year were \$104,396.

The District's proportionate share of the net pension liability is \$1,300,966. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the total contributions of all participating SERS Ohio employers. At June 30, 2014, the District's proportion was .025706 percent, the same proportion as at June 30, 2013.

G. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. PENSION PLANS (Continued)

Wage Inflation	3.25 %
Future Salary increases	4.00 % to 22.00 % including inflation
Investment rate of return	7.75 %, net of investment expenses, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the 1994 Group Annuity Mortality Table for Males and Females. Males and Female's ages are set back one year.

Actuarial assumptions used in the June 30, 2014, valuation are based on results of an actuarial experience study effective June 30, 2010.

The long-term return expectation has been determined by using a building block approach and assumes a time horizon. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and long-term expected real rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10-Yr. Expected Real Rate of Return
Cash	1.0%	0.00%
U.S. Stocks	22.5%	5.00%
Non-U.S. Stocks	22.5%	5.00%
Fixed Income	19.0%	1.50%
Private Equity	10.0%	10.00%
Real Estate	10.0%	5.00%
Hedge Funds	15.0%	7.50%
Total	100.00%	

H. Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. PENSION PLANS (Continued)

I. Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) and one percentage point higher (8.75%) than the current assumption.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$8,219,067	\$5,741,439	\$3,645,647

Detailed information about SERS Ohio's fiduciary net position is located in SERS Ohio's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. The CAFR is available at www.ohsers.org.

10. POST-EMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2015, the STRS Ohio Board did not allocate any employer contributions to the Health Care Stabilization Fund. For the District, the total amount allocated equaled \$0 for fiscal year 2015, \$27,357 for fiscal year 2014, and \$25,730 for fiscal year 2013.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third- party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2015, the health care allocation was .82 percent of covered payroll.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

The actuarially required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2015, the minimum pay was established at \$20,450. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2015, 2014, and 2013 fiscal years equaled \$18,679, \$12,646, and \$11,003, respectively.

The SERS Retirement Board establishes rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

11. BUDGETARY BASIS OF ACCOUNTING

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

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

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the year ended June 30, 2015:

General Fund – FY 2015 Net Change in Fund Balance	
Cash Basis	\$145,943
Encumbrances	(40,161)
Perspective Difference	(3,496)
Budget Basis	\$102,286

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2015 were as follows:

	Principal Outstanding 6/30/2014	Additions	Reductions	Principal Outstanding 6/30/2015	Amounts Due in One Year
General Obligations:					
2008 School Facilities Construction and Advanced Refunding Bonds:					
Current interest bonds	\$6,125,000		(\$175,000)	\$5,950,000	\$365,000
Capital appreciation bonds	23,481		(23,481)		
Accreted interest	151,519		(151,519)		
Total General Obligation Bonds	<u>6,300,000</u>		<u>(350,000)</u>	<u>5,950,000</u>	<u>365,000</u>
Tax anticipation note	170,583		(41,255)	129,328	42,168
Total General Obligations	<u>\$6,470,583</u>	<u>\$0</u>	<u>(\$391,255)</u>	<u>\$6,079,328</u>	<u>\$407,168</u>

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

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

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

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the long-term obligations at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Current Interest School Improvement and Refunding Bonds			Tax Anticipation Notes		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$365,000	\$245,575	\$610,575	\$42,169	\$5,730	\$47,899
2017	185,000	230,975	415,975	43,102	3,861	46,963
2018	190,000	223,575	413,575	44,057	1,952	46,009
2019	200,000	215,975	415,975			
2020	210,000	207,975	417,975			
2021-2025	1,175,000	860,565	2,035,565			
2026-2030	1,445,000	647,225	2,092,225			
2031-2035	1,775,000	318,752	2,093,752			
2036	405,000	17,212	422,212			
Total	<u>\$5,950,000</u>	<u>\$2,967,829</u>	<u>\$8,917,829</u>	<u>\$129,328</u>	<u>\$11,543</u>	<u>\$140,871</u>

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property tax valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530, which became effective March 20, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. At June 30, 2015, the District's voted debt margin was \$1,286,735 and the un-voted debt margin was \$73,386.

13. JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Dayton Educational Cooperative Association

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$14,992 for services during the fiscal year ended June 30, 2015. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The District paid the SOEPC \$522 for membership fees in fiscal year 2015. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

C. Southwestern Ohio Instructional Technology Association

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The District did not make any payments to SOITA during fiscal year 2015. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, 1205 E. Fifth Street, Dayton, Ohio 45402.

14. INSURANCE PURCHASING POOL

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. SET-ASIDE CALCULATIONS

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

The following information describes the change in the fiscal year-end 2015 set-aside amounts for capital improvements.

	Capital Acquisition
Set-Aside Balance as of June 30, 2014	
Current Year Required Set-aside	\$102,914
Current Year Offsets	(91,134)
Prior Year Offsets	(11,780)
Total	\$0
Set-Aside Balance Carried Forward to FY 2015	0
Set-Aside Balance as of June 30, 2015	0

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

16. CONTINGENCIES

The District receives financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

17. FUND BALANCE

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

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2015 were as follows:

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

17. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:				
Classroom Facilities			\$314,076	\$314,076
Debt Retirement		\$631,965		631,965
Capital Improvements			74,329	74,329
Building Fund			6,740	6,740
Classroom Facilities Maintenance			43,456	43,356
Student Awards			43,761	43,761
Food Service Operations			93,630	93,630
Athletics			30,545	30,545
Total Restricted		631,965	606,437	1,238,402
Assigned for:				
Unpaid Obligations	\$40,161			40,161
School Supplies	12,692			12,692
Public School Support	9,981			9,981
Total Assigned	62,834			62,834
Unassigned	2,120,836			2,120,836
Total Fund Balance	\$2,183,670	\$631,965	\$606,437	\$3,422,072

18. OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds at June 30, 2015 were as follows:

<u>Fund Type</u>	<u>June 30, 2015 Encumbrances</u>
General Fund	\$40,261
Other Governmental	412
Totals	\$40,673

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

This discussion and analysis of the Newton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for fiscal year 2014 are as follows:

Net position of governmental activities increased \$270,834, or 9 percent.

The District's receipts are primarily property and income taxes and unrestricted intergovernmental receipts and contributions, which accounted for about 82 percent of the total cash received during fiscal year 2014 of \$6,954,419. Program specific revenues in the form of charges for services and sales, and operating grants and contributions and capital grants and contributions and interest of \$1,281,463 were 18 percent of total revenues for fiscal year 2014. The remaining receipts were investment earnings and miscellaneous receipts, which were less than 1 percent of total receipts.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

Reporting the District as a Whole

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

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

Reporting the District's Most Significant Funds

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

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2014, along with 2013 for comparison purposes:

Table 1 Net Position		
	2014	2013
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$3,266,588	\$2,995,754
Total Assets	3,266,588	2,995,754
Net Position:		
Restricted for:		
Debt Service	583,752	543,267
Capital Outlay	378,804	368,823
Other Purposes	266,305	229,009
Unrestricted	2,037,727	1,854,655
Total Net Position	\$3,266,588	\$2,995,754

As mentioned previously, net position of governmental activities increased \$270,834, or 9 percent during fiscal year 2014. Unrestricted net position increased due to careful monitoring of expenses and an increase in revenue.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

Table 2 reflects the changes in net position in fiscal year 2014, along with a comparative analysis of the changes in net position for fiscal year 2013.

**Table 2
Changes in Net Position**

	Governmental Activities 2014	Governmental Activities 2013
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$933,213	\$877,476
Operating Grants and Contributions	348,179	364,736
Capital Grants, Contributions and Interest	71	222
Total Program Receipts	<u>1,281,463</u>	<u>1,242,434</u>
General Receipts:		
Property and Other Local Taxes	1,914,963	1,811,144
Income Taxes	1,291,710	1,247,409
Grants and Entitlements not Restricted to Specific Programs	2,443,990	2,393,054
Interest	1,264	2,402
Miscellaneous	21,029	6,477
Total General Receipts	<u>5,672,956</u>	<u>5,460,486</u>
Total Receipts	<u>6,954,419</u>	<u>6,702,920</u>
Disbursements:		
Instruction:		
Regular	2,849,753	2,463,230
Special	423,177	431,258
Vocational	2,486	424
Other	229,833	337,451
Support Services:		
Pupils	114,121	184,407
Instructional Staff	170,004	285,363
Board of Education	1,045	1,683
Administration	734,337	669,806
Fiscal	199,421	192,298
Operation and Maintenance of Plant	497,648	558,097
Pupil Transportation	249,998	300,043
Central	4,964	13,807
Operation of Non-Instructional Services	247,124	248,428
Extracurricular Activities	306,017	348,495
Debt Service:		
Principal Retirement	241,879	248,428
Interest and Fiscal Charges	411,778	366,420
Total Disbursements	<u>6,683,585</u>	<u>6,739,936</u>
Change in Net Position	270,834	(37,016)
Net Position, July 1	<u>2,955,743</u>	<u>3,032,754</u>
Net Position, June 30	<u>\$3,226,588</u>	<u>\$2,995,754</u>

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

Property and income taxes accounted for 46.1 percent of the District's receipts in fiscal year 2014. Unrestricted intergovernmental grants and contributions accounted for about 35.1 percent of the total cash received in fiscal year 2014. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants, contributions and interest accounted for \$1,281,463, or 18.4 percent of total revenues in fiscal year 2014. Investment earnings and miscellaneous receipts accounted for less than one percent of total receipts in fiscal year 2014.

Instruction accounted for approximately 52 percent of total cash disbursements for fiscal year 2014, with regular instruction comprising 43 percent of total disbursements. Support services accounted for 30 percent of disbursements during fiscal year 2014.

If you look at the Statement of Activities on page 54, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Cash Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by property taxes, unrestricted State entitlements and investment earnings.

	<u>2014</u>		<u>2013</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
Instruction:				
Regular	\$2,849,753	\$2,111,138	\$2,463,230	\$1,765,072
Special	423,177	259,637	431,258	278,229
Vocational	2,486	2,486	424	(7,239)
Other	229,833	229,833	337,451	337,451
Support Services:				
Pupils	114,121	80,876	184,407	156,524
Instructional Staff	170,004	170,004	285,363	285,363
Board of Education	1,045	1,045	1,683	1,683
Administration	734,337	701,505	669,806	656,572
Fiscal	199,421	195,821	192,298	188,698
Operation and Maintenance of Plant	497,648	495,404	558,097	558,097
Pupil Transportation	249,998	249,998	300,043	300,043
Central	4,974	520	13,807	7,404
Operation of Non-Instructional Services	247,124	25,307	248,428	30,883
Extracurricular Activities	306,017	224,962	348,495	233,798
Capital Outlay		(71)	54,241	54,019
Debt Service:				
Principal Retirement	241,879	241,879	284,485	284,485
Interest and Fiscal Charges	411,778	411,778	366,420	366,420
Total	<u>\$6,683,585</u>	<u>\$5,402,122</u>	<u>\$6,739,936</u>	<u>\$5,497,502</u>

Charges for services and sales, and operating grants and contributions and capital grants and contributions of about 18 percent of total cash receipts were received and used to fund the expenses of the District during fiscal year 2014. The remaining 82 percent of cash receipts were from property and income taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

The District's Funds

All funds of the District are governmental funds. Total funds cash receipts were \$6,954,419 and total fund disbursements were \$6,683,585 for fiscal year 2014. The greatest change within the funds occurred in the General Fund, which had an increase of \$183,072 in fund balance in fiscal year 2014 due to careful monitoring of expenditures and a slight increase in revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its General Fund budget once. The original budget basis revenue was \$5,357,360 and the final budget basis revenue was \$5,544,913. The original budget basis expenditures were \$4,944,665 and the final budget basis expenditures were \$5,408,714.

During fiscal year 2014, the School District budgeted and received \$1,251,022 in property taxes and budgeted and received \$2,322,322 in intergovernmental revenues in the General Fund.

Capital Assets

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

Debt Administration

At June 30, 2013, the School District had current interest bonds outstanding in the amount of \$6,295,000, and capital appreciation bonds outstanding in the amount of \$54,999. During fiscal year 2014, the District paid \$170,000 in principal on the current interest bonds and \$31,518 in principal on the capital appreciation bonds. At June 30, 2014, the District had \$6,125,000 outstanding in current interest bonds and \$23,481 outstanding in capital appreciation bonds.

At June 30, 2013, the District also had a tax anticipation note outstanding in the amount of \$210,944. These notes were issued to help finance the construction of public school facilities. During fiscal year 2014, \$40,361 was repaid on the notes. The balance outstanding on the note at June 30, 2014 was \$170,583. For more information on the School District's debt see note 11 of the notes to the financial statements.

Current Issues

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

Contacting the District's Financial Management

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

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,266,588</u>
Total Assets	<u><u>\$3,266,588</u></u>
Net Position:	
Restricted for:	
Debt Service	\$583,752
Capital Outlay	378,804
Other Purposes	266,305
Unrestricted	<u>2,037,727</u>
Total Net Position	<u><u>\$3,266,588</u></u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants, Contributions, and Interest</u>
Governmental Activities				Governmental Activities
Instruction:				
Regular	\$2,849,753	\$675,552	\$63,063	(\$2,111,138)
Special	423,177	7,550	155,990	(259,637)
Vocational	2,486			(2,486)
Other	229,833			(229,833)
Support Services:				
Pupil	114,121		33,245	(80,876)
Instructional Staff	170,004			(170,004)
Board of Education	1,045			(1,045)
Administration	734,337	26,007	6,825	(701,505)
Fiscal	199,421		3,600	(195,821)
Operation and Maintenance of Plant	497,648		2,244	(495,404)
Pupil Transportation	249,998			(249,998)
Central	4,964		4,444	(520)
Operation of Non-Instructional Services	247,124	143,049	78,768	(25,307)
Extracurricular Activities	306,017	81,055		(224,962)
Capital Outlay			\$71	71
Debt Service:				
Principal	241,879			(241,879)
Interest	411,778			(411,778)
Totals	<u>\$6,683,585</u>	<u>\$933,213</u>	<u>\$348,179</u>	<u>\$71</u>

General Receipts:

Property Taxes Levied for:

General Purposes	1,251,022
Debt Service	561,733
Capital Outlay	74,334
Classroom Maintenance	27,874
Income Taxes Levied for General Purposes	1,291,710
Grants and Entitlements not Restricted to Specific Programs	2,443,990
Interest	1,264
Miscellaneous	21,029
Total General Receipts	<u>5,672,956</u>
 Change in Net Position	 270,834
 Net Position Beginning of Year	 <u>2,995,754</u>
 Net Position End of Year	 <u>\$3,266,588</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,037,727	\$583,752	\$645,109	\$3,266,588
Total Assets	<u>\$2,037,727</u>	<u>\$583,752</u>	<u>\$645,109</u>	<u>\$3,266,588</u>
Fund Balances:				
Restricted		583,752	645,109	1,228,861
Assigned	26,937			26,937
Unassigned	2,010,790			2,010,790
Total Fund Balances	<u>2,037,727</u>	<u>583,752</u>	<u>645,109</u>	<u>3,266,588</u>
Total Liabilities and Fund Balances	<u>\$2,037,727</u>	<u>\$583,752</u>	<u>\$645,109</u>	<u>\$3,266,588</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property Taxes	\$1,251,022	\$561,733	\$102,208	\$1,914,963
Income Tax	1,291,710			1,291,710
Intergovernmental	2,322,322	92,400	361,195	2,775,917
Interest	1,264		71	1,335
Tuition and Fees	683,102			683,102
Extracurricular Activities	26,007		81,055	107,062
Contributions and Donations			11,808	11,808
Customer Sales and Services			141,657	141,657
Rent	1,975			1,975
Miscellaneous	19,054		5,836	24,890
Total Receipts	<u>5,596,456</u>	<u>654,133</u>	<u>703,830</u>	<u>6,954,419</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,785,092		64,661	2,849,753
Special	271,442		151,735	423,177
Vocational	486		2,000	2,486
Other	229,833			229,833
Support Services:				
Pupil	82,298		31,823	114,121
Instructional Staff	164,615		5,389	170,004
Board of Education	1,045			1,045
Administration	725,061		9,276	734,337
Fiscal	184,365	9,697	5,359	199,421
Operation and Maintenance of Plant	463,449		34,199	497,648
Pupil Transportation	249,998			249,998
Central			4,964	4,964
Operation of Non-Instructional Services	27,873		219,251	247,124
Extracurricular Activities	227,827		78,190	306,017
Debt Service:				
Principal		201,518	40,361	241,879
Interest		402,433	9,345	411,778
Total Disbursements	<u>5,413,384</u>	<u>613,648</u>	<u>656,553</u>	<u>6,683,585</u>
Excess of Receipts Over (Under) Disbursements	183,072	40,485	47,277	270,834
Fund Balances Beginning of Year	<u>1,854,655</u>	<u>543,267</u>	<u>597,832</u>	<u>2,995,754</u>
Fund Balances End of Year	<u>\$2,037,727</u>	<u>\$583,752</u>	<u>\$645,109</u>	<u>\$3,266,588</u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
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>	
Receipts:				
Property Taxes	\$1,181,851	\$1,251,022	\$1,251,022	
Income Taxes	1,255,000	1,291,710	1,291,710	
Intergovernmental	2,336,709	2,322,322	2,322,322	
Tuition and Fees	559,500	657,633	657,633	
Interest	2,300	1,197	1,264	\$67
Gifts and Donations	15,000			
Rent	1,000	1,975	1,975	
Miscellaneous	6,000	19,054	19,054	
Total Receipts	<u>5,357,360</u>	<u>5,544,913</u>	<u>5,544,980</u>	<u>67</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,576,255	2,775,709	2,768,452	7,257
Special	360,166	273,178	271,442	1,736
Vocational		486	486	
Other	4,500	229,833	229,833	
Support Services:				
Pupil	132,216	82,298	82,298	
Instructional Staff	151,467	164,615	164,615	
Board of Education	6,104	1,045	1,045	
Administration	495,556	707,100	703,257	3,843
Fiscal	193,680	186,029	184,255	1,774
Business	500			
Operation and Maintenance of Plant	510,900	473,535	470,549	2,986
Pupil Transportation	255,158	256,610	249,998	6,612
Operational of Non-Instructional Services	35,000	30,449	27,873	2,576
Extracurricular Activities	223,163	227,827	227,827	
Total Disbursements	<u>4,944,665</u>	<u>5,408,714</u>	<u>5,381,930</u>	<u>26,784</u>
Excess of Receipts Over (Under) Disbursements	412,695	136,199	163,050	26,851
Fund Balance Beginning of Year	<u>1,847,748</u>	<u>1,847,748</u>	<u>1,847,748</u>	
Fund Balance End of Year	<u><u>\$2,260,443</u></u>	<u><u>\$1,983,947</u></u>	<u><u>\$2,010,798</u></u>	<u><u>\$26,851</u></u>

See accompanying notes to the basic financial statements.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

	<u>Private Purpose Trust</u>
Deductions:	
Scholarships	<u>\$57,444</u>
Change in Net Position	(57,444)
Net Position - Beginning of Year	<u>57,444</u>
Net Position - End of Year	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

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**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Newton Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected five member Board form of government and provides educational services as mandated by state and federal agencies.

The District was established in 1923 through the consolidation of existing land areas and school districts. The District serves an area of approximately 42 square miles. It is located in Miami County, and includes all of the Village of Pleasant Hill and a portion of Darke County. The District currently operates one instructional- administrative building and one bus garage.

Reporting Entity

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

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

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

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

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

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

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

1. Governmental Fund Types

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

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

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

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

2. Fiduciary Fund Type

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

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

1. Government-wide Financial Statements

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

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

2. Fund Financial Statements

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

C. Basis of Accounting

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

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

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

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

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

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

E. Cash, Cash Equivalents and Investments

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

The District values investments and cash equivalents at cost.

The District has invested funds in non-negotiable certificates of deposit (CD's) and the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2014.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipted into the General Fund during fiscal year 2014 was \$1,264 including \$890 assigned from other District funds.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Compensated Absences

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

I. Fund Balance

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

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

Restricted - Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

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

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

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

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

J. Net Position

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

K. Interfund Activity

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

L. Long-Term Debt

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

M. Intergovernmental Receipts

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

N. Program Receipts

In the statement of activities – cash basis, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and sales, operating and capital grants, and contributions.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

3. COMPLIANCE

Compliance

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

4. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

A. Deposits

At June 30, 2014, the carrying amount of the District's deposits was \$276,336 and the bank balance was \$367,469. The entire bank balance was covered by federal depository insurance.

B. Investments

As of June 30, 2014, the District had \$3,020,839 invested in STAR Ohio.

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

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. At June 30, 2014, 100% of the District's investments were in STAR Ohio.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. STAR Ohio money market carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents/Deposits
GASB Statement No. 9	\$3,297,175
Investments:	
STAR Ohio	(3,020,839)
GASB Statement No. 3	\$276,336

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Darke and Miami County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$66,060,150	97.80%	\$71,238,580	97.76%
Public Utility – Personal	1,487,660	2.20	1,631,150	2.24
Total Assessed Value	\$67,547,810	100.00%	\$72,869,730	100.00%
Tax rate per \$1,000 of assessed valuation				\$47.10

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

6. INCOME TAX

The District levies a voted tax of one and three quarter percent for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts credited to the General Fund for fiscal year 2014 were \$1,291,710.

7. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2014 the District contracted for fleet insurance, crime, electronic data processing, equipment floater, property insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability and employment practices with Phelan Insurance Agency. Insurance coverage provided at June 30, 2014 includes the following:

Building and Contents – at replacement cost (\$2,500 deductible)	\$23,305,000
Equipment Floater Coverage (\$1,000 deductible)	
Electronic Data Processing Coverage (\$1,000 deductible)	25,000
Crime Insurance (\$500 deductible)	170,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Education General Liability	
Each Occurrence	1,000,000
Personal and Advertising Injury Limit – each offense	1,000,000
Fire Damage Limit – any one event	300,000
Medical Expense (excluding students)	15,000
General Aggregate Limit	2,000,000
Products – completed operations limit	2,000,000
Employer's Liability and Stop Gap	
Each Employee	1,000,000
Aggregate Limit	3,000,000
Errors and Omissions Liability (\$2,500 deductible)	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000
Umbrella Coverage	
Per Occurrence	3,000,000
Aggregate	3,000,000

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

B. Workers' Compensation

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

7. RISK MANAGEMENT (Continued)

C. Medical Benefits

For fiscal year 2014, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 13). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

8. PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

8. PENSION PLANS (Continued)

For the fiscal year ended June 30, 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2014, 2013, and 2012 were \$355,641, \$334,488, and \$295,223, respectively; 87 percent has been contributed fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$20,182 made by the District and \$15,858 made by the plan members.

B. School Employees Retirement System

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

For fiscal year 2014, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2014, 13.1 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$97,852, \$95,304, and \$85,073, respectively; 66 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

9. POST-EMPLOYMENT BENEFITS

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

9. POST-EMPLOYMENT BENEFITS (Continued)

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2014, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$27,357 for fiscal year 2014, \$25,730 for fiscal year 2013, and \$22,709 for fiscal year 2012.

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (3309.69). Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month, depending on income; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was .76 percent. The District's contributions for the fiscal years ended June 30, 2014, June 30, 2013, and June 30, 2012 were \$5,677, \$5,384, and \$5,024, respectively, which equaled the required contributions for the fiscal year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2014, the health care allocation was .14 percent of covered payroll. The actuarially required contribution as of the December 31, 2006 annual valuation was 11.50% of covered payroll.

The actuarially required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2014, the minimum pay was established at \$20,250. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2014, 2013, and 2012 fiscal years equaled \$12,646, \$11,003, and \$3,684, respectively.

The SERS Retirement Board establishes rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

9. POST-EMPLOYMENT BENEFITS (Continued)

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

10. BUDGETARY BASIS OF ACCOUNTING

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

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

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the year ended June 30, 2014:

General Fund – FY 2015 Net Change in Fund Balance	
Cash Basis	\$183,072
Encumbrances	(7,759)
Perspective Difference	(12,263)
Budget Basis	\$163,050

11. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/2013	Additions	Reductions	Principal Outstanding 6/30/2014	Amounts Due in One Year
General Obligations:					
2008 School Facilities Construction and Advanced Refunding Bonds:					
Current interest bonds	\$6,295,000		(\$170,000)	\$6,125,000	\$175,000
Capital appreciation bonds	54,999		(31,518)	23,481	23,481
Accreted interest	209,111	\$85,891	(143,483)	151,519	151,519
Total General Obligation Bonds	6,559,110	85,891	(345,001)	6,300,000	350,000
Tax anticipation note	210,944		(40,361)	170,583	41,255
Total General Obligations	\$6,770,054	\$85,891	(\$385,362)	\$6,470,583	\$391,255

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

11. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

Principal and interest requirements to retire the long-term obligations at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Current Interest School Improvement and Refunding Bonds			Tax Anticipation Notes		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$175,000	\$252,576	\$427,576	\$23,481	\$151,519	\$175,000
2016	365,000	245,575	610,575			
2017	185,000	230,975	415,975			
2018	190,000	223,575	413,575			
2019	200,000	215,975	415,975			
2020-2024	1,130,000	953,077	2,083,077			
2025-2029	1,385,000	704,356	2,089,356			
2030-2034	1,705,000	390,820	2,095,820			
2035-2036	790,000	50,787	840,787			
Total	\$6,125,000	\$3,267,716	\$9,392,716	\$23,481	\$151,519	\$175,000

Fiscal Year Ending June 30,	Tax Anticipation Notes		
	Principal	Interest	Total
2015	\$41,255	\$7,556	\$48,811
2016	42,169	5,730	47,899
2017	43,102	3,861	46,963
2018	44,057	1,952	46,009
Total	\$170,583	\$19,099	\$189,682

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

11. LONG-TERM OBLIGATIONS (Continued)

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 tax 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 20, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. At June 30, 2014, the District's voted debt margin was \$842,028 and the unvoted debt margin was \$72,870.

12. JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Dayton Educational Cooperative Association

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$13,070 for services during the fiscal year ended June 30, 2014. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The District paid the SOEPC \$522 for membership fees in fiscal year 2014. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45377.

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Southwestern Ohio Instructional Technology Association

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The District paid \$490 to SOITA during fiscal year 2014. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, 1205 East Fifth Street, Dayton, Ohio 45402.

13. INSURANCE PURCHASING POOL

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

14. SET-ASIDE CALCULATIONS

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

The following information describes the change in the fiscal year-end 2014 set-aside amounts for capital improvements.

	Capital Acquisition
Set-Aside Balance as of June 30, 2013	
Current Year Required Set-aside	\$100,133
Current Year Offsets	(100,133)
Current Year Qualifying Disbursements	0
Total	\$0
Set-Aside Balance Carried Forward to FY 2014	0
Set-Aside Balance as of June 30, 2014	0

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

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

14. SET-ASIDE CALCULATIONS (Continued)

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

15. CONTINGENCIES

The District receives financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

16. FUND BALANCE

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

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2014 were as follows:

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Classroom Facilities			\$313,960	\$313,960
Debt Retirement		\$583,752		583,752
Capital Improvements			58,104	58,104
Building Fund			6,740	6,740
Classroom Facilities Maintenance			85,041	85,041
Special Education			3,701	3,701
Student Awards			65,070	65,070
Food Service Operations			87,202	87,202
Athletics			25,291	25,291
Total Restricted		583,752	645,109	1,228,861
Assigned for:				
Unpaid Obligations	\$7,759			7,759
School Supplies	8,921			8,921
Public School Support	10,257			10,257
Total Assigned	26,937			26,937
Unassigned	2,010,790			2,010,790
Total Fund Balance	\$2,037,727	\$583,752	\$645,109	\$3,266,588

17. OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds at June 30, 2014 were as follows:

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

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

17. OTHER COMMITMENTS (Continued)

<u>Fund Type</u>	<u>June 30, 2014 Encumbrances</u>
General Fund	\$7,859
Other Governmental	952
Totals	<u>\$8,811</u>

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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*

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, (the District) as of and for the years ended June 30, 2015 and 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 April 18, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

District's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

April 18, 2016

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2015 AND 2014

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

FINDING NUMBER 2015-001

Noncompliance

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

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

The District should prepare its annual financial reports in accordance with generally accepted accounting principles to provide any user with more meaningful and useful financial statements.

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

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Revised Code § 117.38 and Ohio Admin. Code § 117-2-03(B) – Filing of annual financial statements in accordance with GAAP	No	Repeated as finding 2015-001



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NEWTON LOCAL SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 17, 2016**