



Dave Yost • Auditor of State



**NEWBURY LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY  
JUNE 30, 2017**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newbury Local School District, Geauga County, Ohio (the District), as of and for the year ended June 30, 2017, 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 such 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 the Newbury Local School District, Geauga County, Ohio, as of June 30, 2017, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year 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 4, 2018, 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 4, 2018

The discussion and analysis of Newbury 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, 2017, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

## **HIGHLIGHTS**

### **Key financial highlights for the fiscal year 2017 are as follows:**

- Net position of governmental activities increased \$1,529,809.
- General cash receipts accounted for \$9,385,415 or 90.6% of all cash receipts. Program cash receipts in the form of charges for services, operating grants, contributions and interest, accounted for \$978,956 or 9.4% of total cash receipts of \$10,364,371.
- The District had \$8,834,562 in cash disbursements related to governmental activities; which only \$978,956 of these cash disbursements were offset by program cash receipts.
- The District's only major governmental funds are the general fund and permanent improvement fund.
- The general fund had \$9,572,417 in receipts and \$7,973,289 in disbursements. During fiscal year 2017, the general fund's fund balance increased \$1,565,950 from \$2,363,770 to \$3,929,720.

## **USING THE BASIC FINANCIAL STATEMENTS**

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

## **REPORT COMPONENTS**

The *Statement of Net Position* and *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 specific 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 basic financial statements.

## **BASIS OF ACCOUNTING**

The basis of accounting is a set of guidelines that determines 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.

## **REPORTING THE DISTRICT AS A WHOLE**

### *Statement of Net Position and Statement of Activities*

The statement of net position and the statement of activities reflect how the District did financially during 2017, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. 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. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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 is one indicator 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 as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

### *Reporting the District's Most Significant Funds*

#### *Fund Financial Statements*

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District has two major funds in 2017: the general fund and the permanent improvement fund.

#### *Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net position and fund cash balances or changes in net position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the fund financial statements to the statement of activities due to transfers netted on the statement of activities. See Note 2 to the basic financial statements in the section entitled *Government-wide Financial Statements*.



**Newbury Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
 Unaudited

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***Fiduciary Funds***

The District has agency funds. The District's cash basis fiduciary activities are reported on the statement of fiduciary net position. We excluded these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal net position – cash basis) and do not involve measurement of results of operations. Fiduciary funds use the cash basis of accounting.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to the full understanding of the data provided in the government wide and fund financial statements.

**THE DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the District as a whole on a cash basis of accounting. Table 1 provides a summary of the District's net position for 2017 compared to 2016.

**Table 1**  
**Net Position**

	Governmental Activities		Increase/ (Decrease)
	<u>2017</u>	<u>2016</u>	
<b>Assets</b>			
Equity in pooled cash and investments	\$ 3,985,798	\$ 2,455,989	\$ 1,529,809
Total assets	<u>3,985,798</u>	<u>2,455,989</u>	<u>1,529,809</u>
<b>Net Position</b>			
Restricted for capital projects	8,475	24,775	(16,300)
Restricted for other purposes	47,603	67,444	(19,841)
Unrestricted	<u>3,929,720</u>	<u>2,363,770</u>	<u>1,565,950</u>
Total net position	<u>\$ 3,985,798</u>	<u>\$ 2,455,989</u>	<u>\$ 1,529,809</u>

Total assets of the District, as a whole, increased \$1,529,809. The increase in total assets is primarily due to an increase in total cash receipts as compared to the prior year.

**Newbury Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
 Unaudited

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Table 2 shows the changes in net position for the fiscal year ended June 30, 2017.

**Table 2**  
**Change in Net Assets**

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
<b>Cash Receipts</b>		
Program cash receipts		
Charges for services and sales	\$ 365,754	\$ 366,109
Operating grants, contributions and interest	613,202	534,010
Total program cash receipts	<u>978,956</u>	<u>900,119</u>
General cash receipts		
Property taxes	7,053,448	7,031,586
Grants and entitlements not restricted to specific programs	2,196,441	2,309,199
Investment earnings	8,564	9,320
Miscellaneous	126,962	183,001
Total general cash receipts	<u>9,385,415</u>	<u>9,533,106</u>
Total cash receipts	<u>10,364,371</u>	<u>10,433,225</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	3,340,591	3,694,278
Special	1,493,789	1,511,157
Vocational	136,507	111,826
Adult/continuing	3,300	500
Student intervention	12,307	2,660
Other	-	-
Support services:		
Pupils	504,139	487,655
Instructional staff	67,951	82,755
Board of education	47,073	52,860
Administration	772,453	748,930
Fiscal	260,597	316,860
Business	2,097	1,577
Operation and maintenance of plant	751,725	813,208
Pupil transportation	705,235	673,814
Central	105,527	103,148
Operation of non-instructional services:		
Operation of food service	161,493	175,477
Community services	157,810	176,872
Extracurricular activities	311,968	312,023
Total cash disbursements	<u>8,834,562</u>	<u>9,265,600</u>
Change in net position	1,529,809	1,167,625
Net position at beginning of year	<u>2,455,989</u>	<u>1,288,364</u>
Net position at end of year	<u>\$ 3,985,798</u>	<u>\$ 2,455,989</u>

**Newbury Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
 Unaudited

Program cash receipts of \$978,956, which are primarily represented by charges for services and sales, operating grants, contributions and interest, made up 9.4% of total cash receipts. General cash receipts of \$9,385,415 which are primarily represented by property taxes and unrestricted grants and entitlements, made up 90.6% of total cash receipts.

Program cash disbursements for instruction were \$4,986,494 or 56.4% of all program cash disbursements. Regular instruction represents 67.0% of this amount and 37.8% of all program cash disbursements.

Other significant programs include operation and maintenance of plant and pupil transportation which account for 8.5% and 8.0% respectively of program cash disbursements.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

**Table 3**

	Governmental Activities		Governmental Activities	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
<b>Program Cash Disbursements</b>				
Instruction:				
Regular	\$ 3,340,591	\$ (3,083,340)	\$ 3,694,278	\$ (3,420,430)
Special	1,493,789	(1,134,581)	1,511,157	(1,237,696)
Vocational	136,507	(136,481)	111,826	(111,716)
Adult/continuing	3,300	(2,300)	500	-
Student intervention	12,307	(12,307)	2,660	(2,660)
Support services:				
Pupils	504,139	(504,139)	487,655	(487,655)
Instructional staff	67,951	(65,368)	82,755	(66,755)
Board of education	47,073	(47,073)	52,860	(52,860)
Administration	772,453	(772,453)	748,930	(748,930)
Fiscal	260,597	(260,597)	316,860	(316,860)
Business	2,097	(2,097)	1,577	(1,577)
Operation and maintenance of plant	751,725	(732,783)	813,208	(792,082)
Pupil transportation	705,235	(705,235)	673,814	(673,814)
Central	105,527	(101,927)	103,148	(99,548)
Operation of non-instructional services:				
Operation of food service	161,493	(42,205)	175,477	(100,550)
Community services	157,810	(17,284)	176,872	(33,739)
Extracurricular activities	<u>311,968</u>	<u>(235,436)</u>	<u>312,023</u>	<u>(218,609)</u>
Total	<u>\$ 8,834,562</u>	<u>\$ (7,855,606)</u>	<u>\$ 9,265,600</u>	<u>\$ (8,365,481)</u>

**Newbury Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
Unaudited

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The dependence upon tax revenues and unrestricted state entitlements is apparent as program receipts only provided for \$978,956 of the total program cash disbursements of \$8,834,562 for 2017.

## **THE DISTRICT FUNDS**

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing receipts of \$10,327,069 and cash disbursements of \$8,834,562.

**General Fund** - The District's general fund cash fund balance increased by \$1,565,950 due to an overall decrease in cash disbursements but not significant to any specific area.

### ***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During 2017, revisions were made to the general fund estimated receipts and appropriations from the original budget to the final budget. The general fund's ending unobligated cash balance was \$3,379,382.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District did not have any capital outlay disbursements during fiscal year 2016.

### ***Debt***

The District maintains an AAA bond rating. For additional information see Note 7.

## **CURRENT ISSUES**

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the District is not without its challenges. These challenges stem from issues that are at the local and State level. The local challenges will continue to exist, as the District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the challenges of the future.

**Newbury Local School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

Unaudited

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**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the District's finances and show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Nancy McPeak, Treasurer at Newbury Local School District, 14775 Auburn Road, Newbury, Ohio 44065 or email at [nmcpeak@newburyschools.org](mailto:nmcpeak@newburyschools.org).

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**Newbury Local School District**  
*Statement of Net Position - Cash Basis*  
*June 30, 2017*

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash investments	<u>\$ 3,985,798</u>
<u>Net position:</u>	
Restricted for:	
Capital projects	8,475
Other purposes	47,603
Unrestricted	<u>3,929,720</u>
Total net position	<u>\$ 3,985,798</u>

See accompanying notes to the basic financial statements.

**Newbury Local School District**

Statement of Activities - Cash Basis

For the Fiscal Year Ended June 30, 2017

	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 3,340,591	\$ 205,525	\$ 51,726	\$ (3,083,340)
Special	1,493,789	45,224	313,984	(1,134,581)
Vocational	136,507	-	26	(136,481)
Adult/continuing	3,300	-	1,000	(2,300)
Student intervention services	12,307	-	-	(12,307)
Support services:				
Pupils	504,139	-	-	(504,139)
Instructional staff	67,951	-	2,583	(65,368)
Board of education	47,073	-	-	(47,073)
Administration	772,453	-	-	(772,453)
Fiscal	260,597	-	-	(260,597)
Business	2,097	-	-	(2,097)
Operation and maintenance of plant	751,725	-	18,942	(732,783)
Pupil transportation	705,235	-	-	(705,235)
Central	105,527	-	3,600	(101,927)
Operation of non-instructional services:				
Operation of food service	161,493	43,515	75,773	(42,205)
Community services	157,810	-	140,526	(17,284)
Extracurricular activities	311,968	71,490	5,042	(235,436)
Total governmental activities	<u>\$ 8,834,562</u>	<u>\$ 365,754</u>	<u>\$ 613,202</u>	<u>(7,855,606)</u>
<u>General Receipts:</u>				
Property taxes levied for:				
General purposes				6,918,953
Capital outlay				134,495
Grants and entitlements not restricted to specific programs				2,196,441
Investment earnings				8,564
Miscellaneous				126,962
Total general receipts				<u>9,385,415</u>
Change in net position				1,529,809
Net position at beginning of year				2,455,989
Net position at end of year				<u>\$ 3,985,798</u>

See accompanying notes to the basic financial statements.



**Newbury Local School District**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

June 30, 2017

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash investments	\$ 3,929,720	\$ 8,385	\$ 47,693	\$ 3,985,798
Total assets	<u>\$ 3,929,720</u>	<u>\$ 8,385</u>	<u>\$ 47,693</u>	<u>\$ 3,985,798</u>
 <u>Fund balances:</u>				
Restricted for:				
Food service	\$ -	\$ -	\$ 4,793	\$ 4,793
Athletics and music	-	-	21,885	21,885
Auxiliary services	-	-	10,395	10,395
Instructional programs	-	-	622	622
Special education	-	-	538	538
Capital improvements	-	8,385	90	8,475
Special trusts	-	-	6,074	6,074
Professional development	-	-	20	20
Management information systems	-	-	3,276	3,276
Assigned for:				
Encumbrances	470,173	-	-	470,173
Public school support	33,801	-	-	33,801
Unassigned	3,425,746	-	-	3,425,746
Total fund balances	<u>\$ 3,929,720</u>	<u>\$ 8,385</u>	<u>\$ 47,693</u>	<u>\$ 3,985,798</u>

See accompanying notes to the basic financial statements.

## Newbury Local School District

*Statement of Cash Receipts, Cash Disbursements  
and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2017*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Cash Receipts:</u>				
Property taxes	\$ 6,918,953	\$ 134,495	\$ -	\$ 7,053,448
Intergovernmental	2,282,505	18,942	502,020	2,803,467
Interest	8,564	-	134	8,698
Tuition and fees	250,749	-	-	250,749
Extracurricular activities	19,486	-	50,318	69,804
Gifts and donations	8,047	-	3,542	11,589
Customer services	-	-	43,515	43,515
Miscellaneous	84,113	-	1,686	85,799
Total cash receipts	<u>9,572,417</u>	<u>153,437</u>	<u>601,215</u>	<u>10,327,069</u>
<u>Cash Disbursements:</u>				
Current:				
Instruction:				
Regular	3,312,513	-	28,078	3,340,591
Special	1,278,459	-	215,330	1,493,789
Vocational	136,507	-	-	136,507
Adult/Continuing	-	-	3,300	3,300
Student intervention services	12,307	-	-	12,307
Support services:				
Pupils	475,066	-	29,073	504,139
Instructional staff	64,625	-	3,326	67,951
Board of education	47,073	-	-	47,073
Administration	766,578	-	5,875	772,453
Fiscal	258,087	2,510	-	260,597
Business	2,097	-	-	2,097
Operation and maintenance of plant	676,622	75,103	-	751,725
Pupil transportation	613,111	92,124	-	705,235
Central	101,927	-	3,600	105,527
Operation of non-instructional services:				
Operation of food service	-	-	161,493	161,493
Community services	193	-	157,617	157,810
Extracurricular activities	228,124	-	83,844	311,968
Total cash disbursements	<u>7,973,289</u>	<u>169,737</u>	<u>691,536</u>	<u>8,834,562</u>
Excess of cash receipts over (under) cash disbursements	<u>1,599,128</u>	<u>(16,300)</u>	<u>(90,321)</u>	<u>1,492,507</u>
<u>Other financing receipts (disbursements):</u>				
Refund of prior year expenditures	37,302	-	-	37,302
Advances in	33,159	-	22,352	55,511
Advances out	(24,852)	-	(30,659)	(55,511)
Transfers in	-	-	78,787	78,787
Transfers out	(78,787)	-	-	(78,787)
Total other financing receipts (disbursements)	<u>(33,178)</u>	<u>-</u>	<u>70,480</u>	<u>37,302</u>
Net change in fund balances	1,565,950	(16,300)	(19,841)	1,529,809
Fund balances at beginning of year	2,363,770	24,685	67,534	2,455,989
Fund balances at end of year	<u>\$ 3,929,720</u>	<u>\$ 8,385</u>	<u>\$ 47,693</u>	<u>\$ 3,985,798</u>

See accompanying notes to the basic financial statements.

## Newbury Local School District

Statement of Receipts, Disbursements and Changes in Fund Balance -  
Budget and Actual (Budget Basis) - General Fund  
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Receipts:</u>				
Property taxes	\$ 6,862,953	\$ 6,918,953	\$ 6,918,953	\$ -
Intergovernmental	1,995,429	2,282,505	2,282,505	-
Interest	5,000	8,795	8,564	(231)
Tuition and fees	154,409	238,801	238,801	-
Extracurricular activities	20,000	14,985	14,985	-
Gifts and donations	1,150	5,547	5,547	-
Miscellaneous	71,750	84,113	84,113	-
Total receipts	<u>9,110,691</u>	<u>9,553,699</u>	<u>9,553,468</u>	<u>(231)</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	3,627,931	3,362,423	3,362,422	1
Special	1,005,342	1,363,023	1,363,023	-
Vocational	132,523	136,507	136,507	-
Student intervention services	12,934	12,307	12,307	-
Support services:				
Pupils	694,247	484,676	484,676	-
Instructional staff	116,823	75,238	75,238	-
Board of education	123,849	122,133	122,133	-
Administration	764,357	795,996	795,996	-
Fiscal	333,568	272,584	272,584	-
Business	2,000	3,572	3,572	-
Operation and maintenance of plant	843,888	781,588	781,588	-
Pupil transportation	749,184	686,709	686,709	-
Central	133,214	104,492	104,492	-
Operation of non-instructional services:				
Community services	300	193	193	-
Extracurricular activities	245,289	225,254	225,254	-
Total disbursements	<u>8,785,449</u>	<u>8,426,695</u>	<u>8,426,694</u>	<u>1</u>
Excess of receipts over (under) disbursements	<u>325,242</u>	<u>1,127,004</u>	<u>1,126,774</u>	<u>(230)</u>
<u>Other financing receipts (disbursements):</u>				
Refund of prior year expenditures	9,125	37,302	37,302	-
Refund of prior year receipts	(7,500)	-	-	-
Advances in	33,160	33,159	33,159	-
Advances out	(33,160)	(22,352)	(22,352)	-
Transfers out	(477,465)	(78,787)	(78,787)	-
Total other financing receipts (disbursements)	<u>(475,840)</u>	<u>(30,678)</u>	<u>(30,678)</u>	<u>-</u>
Net change in fund balance	(150,598)	1,096,326	1,096,096	(230)
Fund balance at beginning of year	2,037,706	2,037,706	2,037,706	-
Prior year encumbrances appropriated	245,580	245,580	245,580	-
Fund balance at end of year	<u>\$ 2,132,688</u>	<u>\$ 3,379,612</u>	<u>\$ 3,379,382</u>	<u>\$ (230)</u>

See accompanying notes to the basic financial statements.

**Newbury Local School District**

*Statement of Fiduciary Net Position - Cash Basis*

*Fiduciary Funds*

*June 30, 2017*

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 88,649
Total assets	<u>\$ 88,649</u>
<u>Net position:</u>	
Unrestricted	\$ 88,649
Total net position	<u>\$ 88,649</u>

See accompanying notes to the basic financial statements.

**Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**1. SUMMARY OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the Entity**

Newbury Local School District (the District) operates under a locally-elected Board form of government and provides educational services authorized by State and federal agencies. This Board controls the District's two instructional/support facilities staffed by 33 non-certificated employees, 50 certificated full time teaching personnel including 4 administrative employees to provide services to 432 students and other community members.

The District was established in 1815 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The District serves an area of approximately 25 square miles. It is located in Geauga County, including all of Newbury Township, Ohio. It currently operates one intermediate instructional building (grades 4, 5, and 6) and one administrative/instructional building (board offices and all other grades).

**Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. There are no component units of the District.

The District participates in four jointly governed organizations and an insurance purchasing pool. These organizations are the Auburn Career Center, the Lake Geauga Computer Association, the Newbury Joint Recreation Council, the Ohio Schools Council and the Ohio School Plan. These organizations are discussed in Notes 11 and 12 to the basic financial statements.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Fund Accounting**

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

### **Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following are the District's major governmental funds:

#### *General Fund*

The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

#### *Permanent Improvement Fund*

The permanent improvement fund is a capital projects fund and is used to account for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds.

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

### **Fiduciary Funds**

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 not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are agency funds. The District's agency funds are for future medical needs of employee's children, collections for field trips and student activities.

**Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**Basis of Presentation**

The District uses the provisions of GASB Statement No. 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB Statement No. 38, for certain financial statement note disclosures. The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

***Government-wide Financial Statements***

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

The statement of net position-cash basis presents the cash basis financial condition of governmental activities of the District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the District.

***Fund Financial Statements***

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. The District's major funds are presented in separate columns. Nonmajor funds are aggregated and presented in a single column.

**Basis of Accounting**

Although required by the Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

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

### **Cash Receipts – Exchange and Nonexchange Transactions**

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

### **Cash Disbursements**

On the cash basis of accounting, disbursements are recognized at the time payments are made.

### **Budgetary Process**

#### **Budget**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

#### **Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Geauga County Budget Commissions for rate determination.



### **Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. Budget receipts as shown in the accompanying financial statements do not include July 1, 2015 unencumbered fund balances. However, those fund balances were available for appropriation.

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts reflect the amounts in the amended certificate in effect when the final appropriations for the fiscal year were passed.

### **Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriate resolutions, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire year, including amounts carried over from prior years. The budget figures that appear as the final budget, in the statement of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

### **Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

### **Lapsing of Appropriations**

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

### **Cash and Cash Equivalents and Investments**

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2017. To improve cash management, cash received by the District is pooled. Individual fund integrity is maintained throughout the District's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as part of "equity in pooled cash and investments".

### **Capital Assets**

Property, plant, and equipment acquired or constructed by the District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting as described in Note 2, capital assets and the related depreciation are not reported separately on the financial statements.

### **Pensions**

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.

### **Compensated Absences**

Accumulated unpaid vacation leave, sick leave, and personal leave are not accrued under the cash basis of accounting as described in Note 2. All leave will either be utilized by time off from work or, within certain limitations, be paid to employees.

### **Long-term Obligations**

In general, bonds, long-term loans, and capital leases are recorded as cash disbursements in the basic financial statements when paid and are not accrued under the cash basis of accounting as previously described in Note 2.

### **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 governmental funds. The classifications are as follows:

***Nonspendable:*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

## **Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**Restricted:** The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

**Unassigned:** The unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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 the amounts in any of the unrestricted fund balance classifications could be used.

### **Net Position**

Net position represents the difference between assets and liabilities. On the cash basis of accounting net position equal assets since liabilities are not recorded. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted assets in the general fund are amounts required by State statute to be set aside to create a reserve for budget stabilization. The set aside amounts for budget stabilization is now optional as determined by the District. See Note 10 for additional information regarding set-asides.

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

**Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities are eliminated.

**3. FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented on the statement of cash basis assets and fund balance.

**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 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 that 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 within five years from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 for a period not to exceed thirty days in 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

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

During fiscal year 2017, investments were limited to negotiable certificate of deposit. Investments are reported at cost.

All interest receipts are reported in the general fund except those specifically related to those funds deemed appropriate according to Board policy. For fiscal year 2017, interest receipts in the general fund are \$8,564 and of that amount, \$1,982 was assigned from other funds.

**Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**Deposits:**

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

At June 30, 2017, the District's deposits of \$2,574,447 were either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the District's name.

**Investments:**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Investment</u>	<u>Maturity Date</u>
Negotiable certificates of deposit:			
EverBank	\$ 245,000	16%	9/14/2017
Capital One Bank	245,000	16%	3/21/2018
Ally Bank	215,000	14%	5/25/2018
Discover Bank	215,000	14%	6/29/2018
First Bank Southern Pines	245,000	16%	9/24/2018
Umpqua Bank	245,000	16%	12/28/2018
mBank	30,000	2%	6/29/2018
Discover Bank	30,000	2%	5/23/2018
Ally Bank	<u>30,000</u>	<u>2%</u>	3/15/2018
Total investments	<u>\$1,500,000</u>	<u>100%</u>	

All of the School District's negotiable CD's were covered in full by FDIC insurance.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. As previously discussed Star Ohio is reported at its net asset value. All other investments of the District are valued using quoted market prices (Level 1 inputs).

Interest rate risk – As a means of limiting its exposure to fair value losses caused by rising interest rates, the District attempts, to the extent possible, to match investments with anticipated cash flow requirements. Unless matched to a specific obligation or debt of the District, the District will not directly invest in securities maturing more than five years from the date of investment.

**Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District’s negotiable certificates of deposit are registered securities and covered in full by FDIC insurance. The School District’s policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Concentration of credit risk – The District’s policy places no limit on the amount that may be invested in any one issuer. More than 5% of the School District’s investments are in EverBank, Capital One Bank, Ally Bank, Discover Bank, First Bank Southern Pines and Umpqua Bank. These investments are presented in the table on the previous page. The portfolio of negotiable CDs consists of CDs each from different financial institutions ranging in values up to \$245,000. The School District’s policy places no limit on the amount that may be invested in any one issuer.

**5. BUDGETARY BASIS FUND BALANCES**

Differences between the budgetary basis fund balances and cash fund balances are due to encumbrances and perspective differences. The cash fund balance, as well as the cash receipts, cash disbursements, and other financing receipts and disbursements of the general fund include activity that is budgeted within special revenue funds. However, on the budgetary basis, the activity of special revenue funds is excluded resulting in perspective differences. The table below presents those differences for the District’s general fund:

	<u>General</u>
Budgetary basis fund balance	\$ 3,379,382
Budgeted as part of special revenue funds:	
Beginning cash fund balances	80,484
Receipts	19,612
Disbursements	(19,929)
Encumbrances	470,171
Cash basis fund balance	<u>\$ 3,929,720</u>

**6. PROPERTY TAX**

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. The last reappraisal was completed for tax year 2011 for Geauga County.

**Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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Property taxes include amounts levied against all real, public utility and tangible personal property (used in public utility) located in the District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after October 1, 2016 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The Geauga County Treasurers collect property tax on behalf of all taxing districts within the respective counties. The District receives property taxes from both counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the second half of fiscal year 2017 taxes collected are:

<u>Property Category</u>	2016 <u>Assessed Value</u>	2015 <u>Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 144,464,480	\$ 144,394,810
Commercial, industrial and minerals	21,762,360	21,684,840
<u>Tangible Personal Property</u>		
Public utilities	<u>7,243,200</u>	<u>7,189,200</u>
Total	<u>\$ 173,470,040</u>	<u>\$ 173,268,850</u>

**7. LONG-TERM DEBT**

Under the cash basis of accounting as described in Note 2, the District does not record debt in the accompanying basic financial statements.

The District's did not have any long-term obligations at June 30, 2017.



## **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. These risks are covered by commercial insurance purchased from independent third parties through the Ohio School Plan, a public entity insurance purchasing pool.

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

### B. Workers' Compensation

The District is a member of the OSBA Workers' Compensation Group Rating Program (Program) established in April 1991. The program was created by the Ohio School Boards Association as a result of the Worker's Compensation group rating plan as defined in Section 4123.29 of the Ohio Revised Code. The group rating program allows school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers. Although, the District's rate is provided by the Program, they are insured by the State's Workers' Compensation Program and remit their premiums to the State of Ohio.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

## **9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS**

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.

**Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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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.

**A. DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System (SERS)**

Plan Description - District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before <u>August 1, 2017 *</u>	Eligible to Retire on or after <u>August 1, 2017</u>
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 years 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.

## **Newbury Local School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016 (latest information available), the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The District's contractually required contribution to SERS was \$142,614 for fiscal year 2017.

### **State Teachers Retirement System (STRS)**

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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 two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. 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 year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices 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 services. 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.

**Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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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. Members may remain in the same plan or transfer to another STRS plan. 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 bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – 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, 2017, plan members were required to contribute 14 percent of their annual covered salary. This concludes the additional 4% phase-in that began in 2013. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$399,696 for fiscal year 2017.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2016, 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 the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$2,362,049	\$8,543,066	\$10,905,115
Proportion of the net pension liability	0.032273%	0.025522%	

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

## Newbury Local School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-200 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. 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 averaged 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 best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US stocks	22.50	4.75
Non-US stocks	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,127,206	\$2,362,049	\$1,721,581

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the 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’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

**Newbury Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	31.00 %	8.00 %
International equity	26.00	7.85
Alternatives	14.00	8.00
Fixed income	18.00	3.75
Real estate	10.00	6.75
Liquidity reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with 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' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**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 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the net pension liability	\$11,353,041	\$8,543,066	\$6,172,687

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2017, several of the members of the Board of Education has elected Social Security. The Board's liability would be 6.2 percent of wages paid.

## **B. POSTEMPLOYMENT BENEFITS**

### **School Employees Retirement System (SERS)**

The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016 (latest information available), there was no allocation of covered payroll allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016 (latest information available), this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015 were \$0, \$0 and \$7,852, respectively, which equaled the required allocations for those years.

### **State Teachers Retirement System (STRS)**

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.



Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016 (latest information available), STRS did not allocate any employer contributions to post-employment health care. The District’s contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015 were \$0, \$0, and \$0, respectively, which equaled the required allocations for those years.

**10. REQUIRED SET-ASIDES**

The District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent 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.

Although the District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

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

	Capital Maintenance Reserve
	<u>                    </u>
Set-aside reserve balance as of June 30, 2016	\$ -
Current year set-aside requirement	74,660
Current year offsets	(190,429)
Qualifying disbursements	<u>-</u>
Totals	<u>(115,769)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>

**11. JOINTLY GOVERNED ORGANIZATION**

**Auburn Career Center** The Auburn Career Center is a joint vocational school district which is a jointly governed organization among eleven School Districts. Each participating school district appoints one member to the Auburn Career Center’s Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant’s control over the operation of Auburn Career Center is not dependent on the District’s continued participation. Financial information can be obtained from 8140 Auburn Road, Painesville, Ohio 44077.

## **Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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***Lake Geauga Computer Association*** The Lake Geauga Computer Association (the “LGCA”) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 19 member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA’s continued existence is not dependent on Newbury Local School District’s continued participation.

The District made payments totaling \$28,619 to the Lake Geauga Computer Association during fiscal year 2017. To obtain financial information, write to Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

***Newbury Joint Recreation Council*** The Newbury Joint Recreation Council (the “Council”) is a jointly governed organization. The District appoints three members of the seven-member board. The purpose of the Council is to further athletic and recreational opportunities. The District has made financial contributions to the Council in prior years, but not during fiscal year ended June 30, 2017. The District’s degree of control is limited to its representation on the board. The Council’s continued existence is not dependent on the District’s continued participation. To obtain financial information, write to Newbury Joint Recreation Board, Newbury Town Hall, Newbury, Ohio 44065.

***Ohio Schools Council*** The Ohio Schools Council (OSC) is a jointly governed organization among school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member’s superintendent serves as a representative of the Assembly. The Assembly elects five of the Council’s Board members and the remaining four are representatives of the Greater Cleveland School Superintendents’ Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly from September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The District has made financial contributions to the Council in prior years for membership fees, but not during fiscal year ended June 30, 2017. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

## **12. INSURANCE PURCHASING POOL**

***Ohio School Plan*** The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP’s business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**13. INTERFUND ACTIVITY**

**Interfund Transfers and Advances**

Transfers made during the year ended June 30, 2017, were as follows:

Transfers from general fund to:		
Nonmajor governmental funds	\$	78,787

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Advances made during the year ended June 30, 2017, were as follows:

<u>Fund:</u>	Advance <u>To:</u>	Advance <u>From:</u>
General fund	\$ 33,159	\$ 24,852
Nonmajor governmental funds	22,352	30,659
Total	<u>\$ 55,511</u>	<u>\$ 55,511</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2017, all advances outstanding are anticipated to be repaid in fiscal year 2018.

**14. CONTINGENCIES**

**Grants and potential litigation**

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

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, 2017.

There are currently no matters in litigation with the District as defendant.

**Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**School Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional school districts must comply with minimum hours of instruction, instead of 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 yet finalized the impact of enrollment adjustments to the June 30, 2017 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.



# 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*

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

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newbury Local School District, Geauga County, (the District) as of and for the year ended June 30, 2017, 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 4, 2018, 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 2017-001.

***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 report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 4, 2018

NEWBURY LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2017

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

FINDING NUMBER 2017-001

**Material Noncompliance**

**GAAP Reporting**

**Ohio Rev. 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 prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code §117.38.

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

The District should prepare its financial statements according to generally accepted accounting principles to provide the users with more meaningful and complete financial statements.

**Officials' Response**

The Board, Superintendent and Treasurer do not feel it is cost effective and efficient to prepare the Generally Accepted Account Principles (GAAP) basis financial statements to meet the District's reporting needs. Therefore, we chose to report using the Other Comprehensive Basis of Accounting (OCBOA) special framework.



Newbury Local Board of Education

14775 Auburn Road ~ Newbury, Ohio 44065  
 Phone 440-564-5501 ~ Fax 440-564-9460

Superintendent: Michelle R. Kalish

Board President: Maggie Zock

Treasurer: Nancy A. McPeak

**NEWBURY LOCAL SCHOOL DISTRICT  
 GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
 JUNE 30, 2017**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2016-001	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – Failed to file financial statements in accordance with GAAP.	No	Repeated as Finding Number 2017-001





# Dave Yost • Auditor of State

**NEWBURY LOCAL SCHOOL DISTRICT**

**GEAUGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 24, 2018**