



OHIO AUDITOR OF STATE  
**KEITH FABER**





**NEWBURY LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY  
JUNE 30, 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Newbury Local School District  
Geauga County  
8615 Cedar Road  
Chesterland, Ohio 44026

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, 2020, 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.

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**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 District, as of June 30, 2020, 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.

**Emphasis of Matter**

As discussed in Note 15 to the financial statements, as of June 30, 2020, the District was officially closed and merged with West Geauga Local School District and all closeout operations have been transferred to West Geauga Local School District. 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 them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 19, 2021

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, 2020, 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 2020 are as follows:**

- Net position of governmental activities decreased by \$605,414.
- General cash receipts accounted for \$7,929,778 or 92.7% of all cash receipts. Program cash receipts in the form of charges for services, operating grants, contributions and interest, accounted for \$626,473 or 7.3% of total cash receipts of \$8,556,251.
- The District had \$9,161,665 in cash disbursements related to governmental activities; which only \$626,473 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 \$7,971,082 in total receipts and other financing receipts and \$8,718,650 in total disbursements and other financing disbursements. During fiscal year 2020, the general fund's fund balance decreased \$747,568 from \$5,065,175 to \$4,317,607.

## **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 2020, 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 2020: 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, 2020*  
 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 2020 compared to 2019.

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

	Governmental Activities		Increase/ (Decrease)
	2020	2019	
<b>Assets</b>			
Equity in pooled cash and investments	\$ 4,704,908	\$ 5,310,322	\$ (605,414)
Total assets	4,704,908	5,310,322	(605,414)
<b>Net Position</b>			
Restricted for capital projects	272,841	132,558	140,283
Restricted for other purposes	114,460	112,589	1,871
Unrestricted	4,317,607	5,065,175	(747,568)
Total net position	\$ 4,704,908	\$ 5,310,322	\$ (605,414)

Total assets of the District, as a whole, decreased \$605,414. The decrease in total assets is primarily due to current year distributions exceeding current year cash receipts as compared to the prior year.



**Newbury Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
 Unaudited

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Table 2 shows the changes in net position for the fiscal year ended June 30, 2020 compared to 2019.

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

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
<b>Cash Receipts</b>		
Program cash receipts		
Charges for services and sales	\$ 206,531	\$ 411,809
Operating grants, contributions and interest	<u>419,942</u>	<u>455,864</u>
Total program cash receipts	<u>626,473</u>	<u>867,673</u>
General cash receipts		
Property taxes	6,045,216	7,190,527
Grants and entitlements not restricted to specific programs	1,636,239	1,928,539
Investment earnings	55,930	43,095
Miscellaneous	<u>192,393</u>	<u>109,715</u>
Total general cash receipts	<u>7,929,778</u>	<u>9,271,876</u>
Total cash receipts	<u>8,556,251</u>	<u>10,139,549</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	4,005,518	3,669,754
Special	1,486,042	1,652,228
Vocational	180,425	215,036
Adult/continuing	2,220	1,562
Student intervention	852	68,389
Other	11,336	-
Support services:		
Pupils	471,235	331,029
Instructional staff	151,034	124,377
Board of education	103,575	76,693
Administration	654,980	850,632
Fiscal	311,415	454,930
Business	43,682	15,393
Operation and maintenance of plant	721,617	1,063,479
Pupil transportation	314,632	528,293
Central	89,113	107,732
Operation of non-instructional services:		
Operation of food service	134,908	112,744
Community services	221,434	181,166
Extracurricular activities	<u>257,647</u>	<u>311,564</u>
Total cash disbursements	<u>9,161,665</u>	<u>9,765,001</u>
Change in net position	(605,414)	374,548
Net position at beginning of year	<u>5,310,322</u>	<u>4,935,774</u>
Net position at end of year	<u>\$ 4,704,908</u>	<u>\$ 5,310,322</u>

**Newbury Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
 Unaudited

Program cash receipts of \$626,473, which are primarily represented by charges for services and sales, operating grants, contributions and interest, made up 7.3% of total cash receipts. General cash receipts of \$7,929,778 which are primarily represented by property taxes and unrestricted grants and entitlements, made up 92.7% of total cash receipts.

Program cash disbursements for instruction were \$5,686,393 or 62.1% of all program cash disbursements. Regular instruction represents 70.4% of this amount and 43.7% of all program cash disbursements.

Other significant programs include operation and maintenance of plant and pupil transportation which account for 7.9% and 3.4% 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>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
<b>Program Cash Disbursements</b>				
Instruction:				
Regular	\$ 4,005,518	\$ (3,880,168)	\$ 3,669,754	\$ (3,460,094)
Special	1,486,042	(1,295,496)	1,652,228	(1,347,914)
Vocational	180,425	(180,425)	215,036	(214,970)
Adult/continuing	2,220	(2,220)	1,562	(1,562)
Student intervention	852	(852)	68,389	(67,305)
Other	11,336	(11,336)	-	-
Support services:				
Pupils	471,235	(471,235)	331,029	(321,231)
Instructional staff	151,034	(122,480)	124,377	(123,520)
Board of education	103,575	(103,575)	76,693	(76,693)
Administration	654,980	(654,980)	850,632	(850,632)
Fiscal	311,415	(311,415)	454,930	(454,930)
Business	43,682	(43,682)	15,393	(15,393)
Operation and maintenance of plant	721,617	(721,617)	1,063,479	(1,063,479)
Pupil transportation	314,632	(314,632)	528,293	(528,293)
Central	89,113	(85,513)	107,732	(104,132)
Operation of non-instructional services:				
Operation of food service	134,908	(67,313)	112,744	(6,823)
Community services	221,434	(23,115)	181,166	(8,895)
Extracurricular activities	<u>257,647</u>	<u>(245,138)</u>	<u>311,564</u>	<u>(251,462)</u>
Total	<u>\$ 9,161,665</u>	<u>\$ (8,535,192)</u>	<u>\$ 9,765,001</u>	<u>\$ (8,897,328)</u>

The dependence upon tax revenues and unrestricted state entitlements is apparent as program receipts only provided for \$626,473 of the total program cash disbursements of \$9,161,665 for 2020.

## **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 \$8,666,982 and cash disbursements and other financing disbursements of \$9,272,396.

**General Fund** - The District's general fund cash fund balance decreased by \$747,568 due to reduction of cash receipts in general.

### ***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 2020, 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 \$4,259,381.

## **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 2020.

### ***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.

As of June 30, 2020, all operations of the District have been transferred to West Geauga Local School District and further operations of the District have been terminated. See Note 15 for additional information.

**Newbury Local School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2020*

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 Karen Penler, Treasurer at West Geauga Local School District, 8615 Cedar Road, Chesterland, Ohio 44026 or email at [Karen.Penler@westg.org](mailto:Karen.Penler@westg.org).

**Newbury Local School District**  
*Statement of Net Position - Cash Basis*  
*June 30, 2020*

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash investments	<u>\$ 4,704,908</u>
<u>Net position:</u>	
Restricted for:	
Capital projects	272,841
Other purposes	114,460
Unrestricted	<u>4,317,607</u>
Total net position	<u>\$ 4,704,908</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, 2020*

	Cash Disbursements	Program Cash Receipts		Net (Cash Disbursements) Cash Receipts and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 4,005,518	\$ 125,350	\$ -	\$ (3,880,168)
Special	1,486,042	47,009	143,537	(1,295,496)
Vocational	180,425	-	-	(180,425)
Adult/continuing	2,220	-	-	(2,220)
Student intervention services	852	-	-	(852)
Other	11,336	-	-	(11,336)
Support services:				
Pupils	471,235	-	-	(471,235)
Instructional staff	151,034	-	28,554	(122,480)
Board of education	103,575	-	-	(103,575)
Administration	654,980	-	-	(654,980)
Fiscal	311,415	-	-	(311,415)
Business	43,682	-	-	(43,682)
Operation and maintenance of plant	721,617	-	-	(721,617)
Pupil transportation	314,632	-	-	(314,632)
Central	89,113	-	3,600	(85,513)
Operation of non-instructional services:				
Operation of food service	134,908	21,663	45,932	(67,313)
Community services	221,434	-	198,319	(23,115)
Extracurricular activities	257,647	12,509	-	(245,138)
Total governmental activities	<u>\$ 9,161,665</u>	<u>\$ 206,531</u>	<u>\$ 419,942</u>	<u>(8,535,192)</u>
<u>General Receipts:</u>				
Property taxes levied for:				
General purposes				5,904,312
Capital outlay				140,904
Grants and entitlements not restricted to specific programs				1,636,239
Investment earnings				55,930
Miscellaneous				192,393
Total general receipts				<u>7,929,778</u>
Change in net position				(605,414)
Net position at beginning of year				5,310,322
Net position at end of year				<u>\$ 4,704,908</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, 2020

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash investments	\$ 4,317,607	\$ 272,751	\$ 114,550	\$ 4,704,908
Total assets	<u>\$ 4,317,607</u>	<u>\$ 272,751</u>	<u>\$ 114,550</u>	<u>\$ 4,704,908</u>
 <u>Fund balances:</u>				
Restricted for:				
Food service	\$ -	\$ -	\$ 71	\$ 71
Athletics and music	-	-	8,879	8,879
Auxiliary services	-	-	33,063	33,063
Instructional programs	-	-	7,900	7,900
Special education	-	-	26,026	26,026
Capital improvements	-	272,751	90	272,841
School safety	-	-	1,689	1,689
Special trusts	-	-	4,658	4,658
Professional development	-	-	20	20
Management information systems	-	-	3,600	3,600
Student wellness	-	-	28,554	28,554
Assigned for:				
Public school support	15,266	-	-	15,266
Unassigned	4,302,341	-	-	4,302,341
Total fund balances	<u>\$ 4,317,607</u>	<u>\$ 272,751</u>	<u>\$ 114,550</u>	<u>\$ 4,704,908</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, 2020

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Cash Receipts:</u>				
Property taxes	\$ 5,904,312	\$ 140,904	\$ -	\$ 6,045,216
Intergovernmental	1,631,848	18,689	397,847	2,048,384
Interest	55,930	-	-	55,930
Tuition and fees	163,486	-	8,658	172,144
Extracurricular activities	5,817	-	6,494	12,311
Customer services	215	-	21,861	22,076
Miscellaneous	100,096	-	-	100,096
Total cash receipts	<u>7,861,704</u>	<u>159,593</u>	<u>434,860</u>	<u>8,456,157</u>
<u>Cash Disbursements:</u>				
Current:				
Instruction:				
Regular	4,005,518	-	-	4,005,518
Special	1,370,579	-	115,463	1,486,042
Vocational	180,425	-	-	180,425
Adult/Continuing	2,220	-	-	2,220
Student intervention services	852	-	-	852
Other	11,336	-	-	11,336
Support services:				
Pupils	465,171	-	6,064	471,235
Instructional staff	150,192	-	842	151,034
Board of education	103,575	-	-	103,575
Administration	653,545	-	1,435	654,980
Fiscal	309,058	2,357	-	311,415
Business	43,682	-	-	43,682
Operation and maintenance of plant	704,664	16,953	-	721,617
Pupil transportation	314,632	-	-	314,632
Central	89,113	-	-	89,113
Operation of non-instructional services:				
Operation of food service	-	-	134,908	134,908
Community services	113	-	221,321	221,434
Extracurricular activities	220,325	-	37,322	257,647
Total cash disbursements	<u>8,625,000</u>	<u>19,310</u>	<u>517,355</u>	<u>9,161,665</u>
Excess of cash receipts over (under) cash disbursements	<u>(763,296)</u>	<u>140,283</u>	<u>(82,495)</u>	<u>(705,508)</u>
<u>Other financing receipts (disbursements):</u>				
Proceeds from sale of capital assets	350	-	-	350
Refund of prior year expenditures	91,947	-	7,797	99,744
Advances in	17,081	-	-	17,081
Advances out	-	-	(17,081)	(17,081)
Transfers in	-	-	93,650	93,650
Transfers out	(93,650)	-	-	(93,650)
Total other financing receipts (disbursements)	<u>15,728</u>	<u>-</u>	<u>84,366</u>	<u>100,094</u>
Net change in fund balances	(747,568)	140,283	1,871	(605,414)
Fund balances at beginning of year	5,065,175	132,468	112,679	5,310,322
Fund balances at end of year	<u>\$ 4,317,607</u>	<u>\$ 272,751</u>	<u>\$ 114,550</u>	<u>\$ 4,704,908</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, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts:</b>				
Property taxes	\$ 5,889,233	\$ 5,889,233	\$ 5,904,312	\$ 15,079
Intergovernmental	1,899,936	1,899,936	1,631,848	(268,088)
Interest	66,569	66,569	53,490	(13,079)
Tuition and fees	203,461	203,461	163,486	(39,975)
Extracurricular activities	5,974	5,974	4,800	(1,174)
Miscellaneous	124,839	124,839	100,311	(24,528)
<b>Total receipts</b>	<b>8,190,012</b>	<b>8,190,012</b>	<b>7,858,247</b>	<b>(331,765)</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,304,739	3,576,050	4,005,323	(429,273)
Special	1,363,642	1,475,594	1,370,579	105,015
Vocational	282,604	305,805	180,425	125,380
Student intervention services	3,559	3,851	852	2,999
Other	63,468	68,679	11,336	57,343
<b>Support services:</b>				
Pupils	295,521	319,783	465,171	(145,388)
Instructional staff	111,611	120,774	150,192	(29,418)
Board of education	73,225	79,236	103,575	(24,339)
Administration	421,441	456,040	653,545	(197,505)
Fiscal	424,257	459,088	309,058	150,030
Business	14,106	15,264	43,682	(28,418)
Operation and maintenance of plant	1,013,755	1,096,982	704,664	392,318
Pupil transportation	485,729	525,606	314,632	210,974
Central	93,829	101,532	89,113	12,419
<b>Operation of non-instructional services:</b>				
Community services	177	192	113	79
Extracurricular activities	222,183	240,424	208,559	31,865
<b>Total disbursements</b>	<b>8,173,846</b>	<b>8,844,900</b>	<b>8,610,819</b>	<b>234,081</b>
<b>Excess of receipts over (under) disbursements</b>	<b>16,166</b>	<b>(654,888)</b>	<b>(752,572)</b>	<b>(97,684)</b>
<b>Other financing receipts (disbursements):</b>				
Proceeds from sale of capital assets	-	-	350	350
Refund of prior year expenditures	-	-	91,947	91,947
Advances in	-	-	17,081	17,081
Transfers out	(57,000)	(57,000)	(93,650)	(36,650)
<b>Total other financing receipts (disbursements)</b>	<b>(57,000)</b>	<b>(57,000)</b>	<b>15,728</b>	<b>72,728</b>
<b>Net change in fund balance</b>	<b>(40,834)</b>	<b>(711,888)</b>	<b>(736,844)</b>	<b>(24,956)</b>
<b>Fund balance at beginning of year</b>	<b>4,398,684</b>	<b>4,398,684</b>	<b>4,398,684</b>	<b>-</b>
<b>Prior year encumbrances appropriated</b>	<b>597,541</b>	<b>597,541</b>	<b>597,541</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ 4,955,391</b>	<b>\$ 4,284,337</b>	<b>\$ 4,259,381</b>	<b>\$ (24,956)</b>

See accompanying notes to the basic financial statements.

**Newbury Local School District**

*Statement of Fiduciary Net Position - Cash Basis*

*Fiduciary Funds*

*June 30, 2020*

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 41,183
Total assets	<u>\$ 41,183</u>
<u>Net position:</u>	
Unrestricted	\$ 41,183
Total net position	<u>\$ 41,183</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, 2020*

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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 28 non-certificated employees, 54 certificated full time teaching personnel including 4 administrative employees to provide services to 311 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). See Note 15 about the District's merger with West Geauga Local School District following the end of this fiscal year.

**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 Vocational School District, 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, 2019 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, 2020. 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/Other Postemployment Benefits (OPEB)**

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



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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.

***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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 first 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.

## **Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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### **4. DEPOSITS AND INVESTMENTS (continued)**

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;
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.

According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC). The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee. The pledged collateral can be held for each public depositor or in a pool for multiple public depositors and must have a market value of at least 105% of the total value of public monies on deposit at the institution. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasurer of State.

**4. DEPOSITS AND INVESTMENTS (continued)**

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 2020, investments were limited to two nonnegotiable certificate of deposits which 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 2020, interest receipts in the general fund are \$55,930 and of that amount, \$7,377 was assigned from other funds.

**Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2020, the District's deposits of were either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the District's name.

**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	\$ 4,259,381
Budgeted as part of special revenue funds:	
Beginning cash fund balances	68,950
Receipts	3,457
Disbursements	<u>(14,181)</u>
Cash basis fund balance	<u>\$ 4,317,607</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 2017 for Geauga County.

**6. PROPERTY TAX (continued)**

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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, 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 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after October 1, 2019 and are collected in 2019 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 Treasurer collect property tax on behalf of all taxing districts within the County. The District receives property taxes from Geauga County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 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 2020 taxes collected are:

<u>Property Category</u>	<u>2020 Assessed Value</u>	<u>2019 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 149,326,470	\$ 147,846,820
Commercial, industrial and minerals	22,102,590	21,934,610
<u>Tangible Personal Property</u>		
Public utilities	<u>8,785,050</u>	<u>8,440,900</u>
Total	<u>\$ 180,214,110</u>	<u>\$ 178,222,330</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 did not have any long-term obligations at June 30, 2020.

**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**

***Net Pension Liability/Net OPEB Liability (Asset)***

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates annually.

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

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

**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	Age 65 with 5 years of services credit; or 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.

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3 percent annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5 percent and a floor of 0 percent. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

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, 2020, 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 \$128,406 for fiscal year 2020.

**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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the COLA was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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.



**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS  
(continued)**

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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. Plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 and 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$395,332 for fiscal year 2020.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2019, 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:

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	0.0298989%	0.0267506%	
Proportion of the net pension liability - current measurement date	<u>0.0270299%</u>	<u>0.0269298%</u>	
Change in proportionate share	<u>-0.0028690%</u>	<u>0.0001792%</u>	
Proportionate share of the net pension liability (asset)	\$ 1,617,246	\$ 5,955,366	\$ 7,572,612

***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.

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, 2019, are presented below:

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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	<u>10.00</u>	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 <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District's proportionate share of the net pension liability	\$ 2,266,340	\$1,617,246	\$1,072,900

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

***Actuarial Assumptions - STRS***

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	2.5 percent at age 65 to 12.5 percent at age 20
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0 percent effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP- 2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study, effective July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30 year period, STRS's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 8,703,103	\$5,955,366	\$3,629,265

**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, 2020, 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.

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$0. Statute 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. For fiscal year 2020, the District's surcharge obligation was \$14,169.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required health care contribution to SERS was \$14,169 for fiscal year 2020.

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**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. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. 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 to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability - prior measurement date	0.0301118%	0.0267506%	
Proportion of the net OPEB liability - current measurement date	<u>0.0275022%</u>	<u>0.0269298%</u>	
Change in proportionate share	<u>-0.0026096%</u>	<u>0.0001792%</u>	
Proportionate share of the net OPEB liability (asset)	\$ 691,622	\$ (446,022)	\$ 245,600

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS’ actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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 OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Year FNP is projected to be depleted	2029
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.



**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<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	<u>10.00</u>	3.00
Total	<u>100.00</u> %	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62 percent was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease <u>(2.22%)</u>	Current Discount Rate <u>(3.22%)</u>	1% Increase <u>(4.22%)</u>
District's proportionate share of the net OPEB liability	\$ 839,499	\$691,622	\$574,044

  

	1% Decrease <u>(6.00% decreasing to 3.75%)</u>	Current Discount Rate <u>(7.00% decreasing to 4.75%)</u>	1% Increase <u>(8.00% decreasing to 5.75%)</u>
District's proportionate share of the net OPEB liability	\$ 554,130	\$691,622	\$874,042

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount rate of return	7.45 percent
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. There were no changes in assumptions since the prior measurement date of June 30, 2018.

There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	<u>2.25</u>
Total	<u>100.00</u> %	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability/asset was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability/asset as of June 30, 2019.

**9. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

***Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ (380,591)	\$ (446,022)	\$ (501,035)

  

	<u>1% Decrease</u>	Current <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$ (505,769)	\$ (446,022)	\$ (372,847)

**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
Set-aside reserve balance as of June 30, 2019	\$ -
Current year set-aside requirement	63,389
Current year offsets	<u>(207,807)</u>
Totals	<u>(144,418)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>

## **Newbury Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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### **11. JOINTLY GOVERNED ORGANIZATION**

***Auburn Vocational School District*** The Auburn Vocational School District 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 Vocational School District'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 Vocational School District is not dependent on the District's continued participation. Financial information can be obtained from 8221 Auburn Road, Painesville, Ohio 44077.

***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 \$36,513 to the Lake Geauga Computer Association during fiscal year 2020. 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, 2020. 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. During fiscal year 2020, the School District paid the Council \$14,445 for natural gas purchases, and \$525 for membership fees. 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**

Transfers made during the year ended June 30, 2020, were as follows:

Transfers from general fund to:		
Nonmajor governmental funds	\$	93,650

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.

#### **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.

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, 2020.

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

#### **15. SUBSEQUENT EVENT**

##### **School district merger**

The Geauga Educational Service Center has facilitated discussions of consolidation of the Newbury Local School District, via Territory Transfer, with the West Geauga Local School District for the 2020-2021 school year. On Monday, January 14, 2020, a majority of the members of the Newbury School Board approved a resolution in support of a territory transfer to West Geauga Schools. The primary motivation behind such a consolidation is the desire to maintain excellent educational opportunities for students in both districts despite declining enrollment. Newbury currently has less than 350 students in grades K-12 and West Geauga is home to approximately 1900. As of June 30, 2020, the School District was officially closed and all closeout operations have been transferred to West Geauga Schools.

# OHIO AUDITOR OF STATE KEITH FABER



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Cleveland, Ohio 44113-1801  
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NortheastRegion@ohioauditor.gov

## 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  
8615 Cedar Road  
Chesterland, Ohio 44026

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, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2021, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles and we also noted the District closed June 30, 2020 and all closeout operation have been transferred to West Geauga Local School District.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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 2020-001.

***District's Response to Findings***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 19, 2021

NEWBURY LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2020

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

GAAP Mandated Files OCBOA

FINDING NUMBER 2020-001

NONCOMPLIANCE

**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 Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:** The District does not feel it is cost effective and efficient to prepare the Generally Accepted Accounting 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.

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# NEWBURY LOCAL SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2020

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – Failed to file financial statements in accordance with GAAP.	Repeated as Finding Number 2020-001	District has merged with West Geauga Local School District. West Geauga Local School District files GAAP.

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# OHIO AUDITOR OF STATE KEITH FABER



**NEWBURY LOCAL SCHOOL DISTRICT**

**GEAUGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/18/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)