

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011



Dave Yost • Auditor of State

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major General Fund, and the aggregate remaining fund information of Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major General Fund, and the aggregate remaining fund information of Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 4, 2012

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The management's discussion and analysis of the Newcomerstown Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities increased \$563,661 which represents a 4.34% increase from 2010.
- General revenues accounted for \$8,961,256 in revenue or 68.01% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$4,215,889 or 31.99% of total revenues of \$13,177,145.
- The District had \$12,613,484 in expenses related to governmental activities; \$4,215,889 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,961,256 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$10,097,274 in revenues and other financing sources and \$9,774,585 in expenditures. During fiscal year 2011, the general fund's fund balance increased \$322,689 from a restated deficit of \$231,184 to a balance of \$91,505.

Using the Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-57 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

| | Net Assets | |
|--|------------------------------------|------------------------------------|
| | Governmental Activities 2011 | Governmental Activities 2010 |
| <u>Assets</u> | | |
| Current and other assets | \$ 5,789,009 | \$ 5,175,385 |
| Capital assets, net | <u>14,796,383</u> | <u>15,361,044</u> |
| Total assets | <u>20,585,392</u> | <u>20,536,429</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 3,899,040 | 4,220,684 |
| Long-term liabilities | <u>3,120,283</u> | <u>3,313,337</u> |
| Total liabilities | <u>7,019,323</u> | <u>7,534,021</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 12,187,666 | 12,625,012 |
| Restricted | 1,344,244 | 1,110,877 |
| Unrestricted (deficit) | <u>34,159</u> | <u>(733,481)</u> |
| Total net assets | <u>\$ 13,566,069</u> | <u>\$ 13,002,408</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$13,566,069. Of this total, \$1,344,244 is restricted in use.

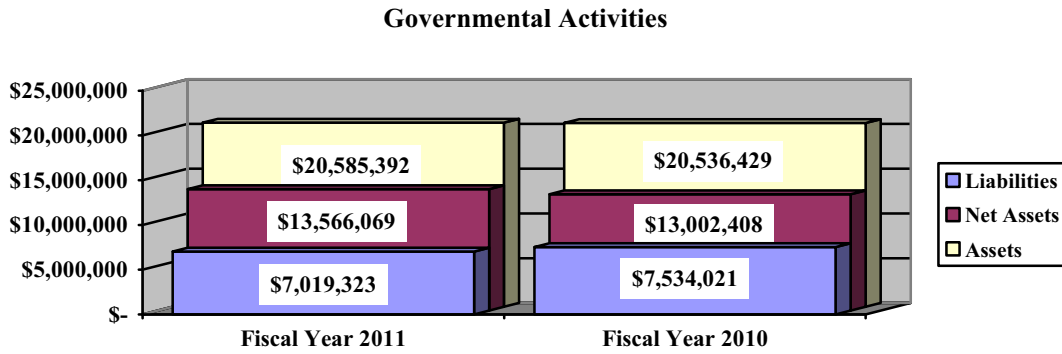
At year-end, capital assets represented 71.88% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$12,187,666. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,344,244, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$34,159.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2011 and June 30, 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010:

Change in Net Assets

| | Governmental Activities 2011 | Governmental Activities 2010 |
|------------------------------------|------------------------------------|------------------------------------|
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,085,497 | \$ 1,115,726 |
| Operating grants and contributions | 3,130,392 | 2,291,728 |
| General revenues: | | |
| Property taxes | 2,963,335 | 2,826,346 |
| Grants and entitlements | 5,568,394 | 6,186,634 |
| Investment earnings | 23 | 213 |
| Other | 429,504 | 125,938 |
| Total revenues | <u>13,177,145</u> | <u>12,546,585</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Change in Net Assets

| | Governmental Activities <u>2011</u> | Governmental Activities <u>2010</u> |
|----------------------------------|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 4,942,816 | \$ 5,408,192 |
| Special | 1,191,037 | 1,166,006 |
| Vocational | 106,398 | 108,613 |
| Adult/continuing | 6,517 | 1,234 |
| Other | 726,898 | 425,126 |
| Support services: | | |
| Pupil | 302,234 | 382,939 |
| Instructional staff | 900,833 | 990,525 |
| Board of education | 17,867 | - |
| Administration | 1,042,732 | 1,112,808 |
| Fiscal | 333,713 | 336,793 |
| Operations and maintenance | 1,317,945 | 1,592,535 |
| Pupil transportation | 536,006 | 580,956 |
| Central | 12,305 | - |
| Operations of non-instructional: | | |
| Food service operations | 638,905 | 580,630 |
| Other non-instructional services | 30,374 | 30,264 |
| Extracurricular activities | 386,316 | 393,337 |
| Interest and fiscal charges | <u>120,588</u> | <u>173,602</u> |
| Total expenses | <u>12,613,484</u> | <u>13,283,560</u> |
| Change in net assets | 563,661 | (736,975) |
| Net assets at beginning of year | <u>\$ 13,002,408</u> | <u>\$ 13,739,383</u> |
| Net assets at end of year | <u>\$ 13,566,069</u> | <u>\$ 13,002,408</u> |

Governmental Activities

Net assets of the District's governmental activities increased \$563,661. Total governmental expenses of \$12,613,484 were offset by program revenues of \$4,215,889 and general revenues of \$8,961,256. Program revenues supported 33.42% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements not restricted to specific programs. These revenue sources represent 64.75% of total governmental revenue.

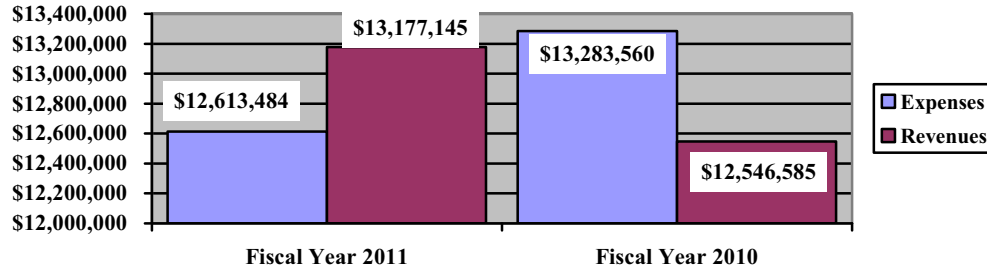
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,973,666 or 55.29% of total governmental expenses for fiscal year 2011.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010:

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2011 and 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

| | Total Cost of Services 2011 | Net Cost of Services 2011 | Total Cost of Services 2010 | Net Cost of Services 2010 |
|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 4,942,816 | \$ 4,051,594 | \$ 5,408,192 | \$ 4,089,470 |
| Special | 1,191,037 | (160,040) | 1,166,006 | 642,194 |
| Vocational | 106,398 | 81,114 | 108,613 | 83,517 |
| Adult education | 6,517 | 6,517 | 1,234 | 1,234 |
| Other | 726,898 | 726,898 | 425,126 | 420,330 |
| Support services: | | | | |
| Pupil | 302,234 | 302,234 | 382,939 | 370,875 |
| Instructional staff | 900,833 | 499,751 | 990,525 | 637,607 |
| Board of education | 17,867 | 17,867 | - | - |
| Administration | 1,042,732 | 1,031,221 | 1,112,808 | 1,087,004 |
| Fiscal | 333,713 | 333,713 | 336,793 | 336,793 |
| Operations and maintenance | 1,317,945 | 535,538 | 1,592,535 | 1,247,488 |
| Pupil transportation | 536,006 | 536,006 | 580,956 | 580,956 |
| Central | 12,305 | 12,305 | - | - |
| Operation of non-instructional: | | | | |
| Food service operations | 638,905 | 44,297 | 580,630 | (5,436) |
| Other non-instructional services | 30,374 | 13,866 | 30,264 | (32,729) |
| Extracurricular activities | 386,316 | 244,126 | 393,337 | 243,201 |
| Interest and fiscal charges | 120,588 | 120,588 | 173,602 | 173,602 |
| Total expenses | <u>\$ 12,613,484</u> | <u>\$ 8,397,595</u> | <u>\$ 13,283,560</u> | <u>\$ 9,876,106</u> |

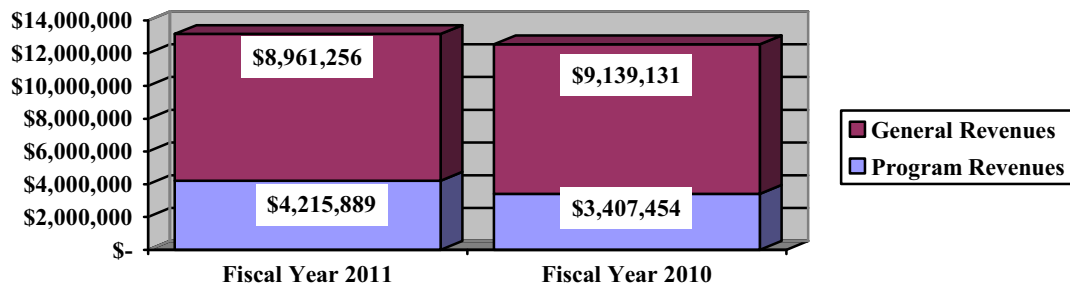
**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, as 67.48% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 66.58%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The June 30, 2010 fund balance of the general fund and other governmental funds were restated for reclassifications required for the implementation of GASB Statement No. 54 (See note 3.B for detail). The District's governmental funds (as presented on page 15) reported a combined fund balance of \$540,442 which is higher than last year's balance of \$40,231. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

| | Fund Balance <u>June 30, 2011</u> | (Restated) Fund Balance (Deficit) <u>June 30, 2010</u> | <u>Increase</u> |
|--------------------|--------------------------------------|---|-------------------|
| General | \$ 91,505 | \$ (231,184) | \$ 322,689 |
| Other Governmental | 448,937 | 271,415 | 177,522 |
| Total | <u>\$ 540,442</u> | <u>\$ 40,231</u> | <u>\$ 500,211</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

General Fund

The District's general fund's fund balance increased by \$322,689.

The table that follows assists in illustrating the financial activities and fund balance of the general fund for fiscal years 2011 and 2010.

| | 2011 <u>Amount</u> | (Restated) 2010 <u>Amount</u> | Increase/ <u>(Decrease)</u> | Percentage <u>Change</u> |
|---|-----------------------|-------------------------------------|--------------------------------|-----------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 2,689,323 | \$ 2,500,636 | \$ 188,687 | 7.55 % |
| Tuition | 778,071 | 794,488 | (16,417) | (2.07) % |
| Earnings on investments | - | 187 | (187) | (100.00) % |
| Intergovernmental | 6,204,506 | 6,170,416 | 34,090 | 0.55 % |
| Other revenues | <u>402,001</u> | <u>196,697</u> | <u>205,304</u> | 104.38 % |
| Total | <u>\$ 10,073,901</u> | <u>\$ 9,662,424</u> | <u>\$ 411,477</u> | 4.26 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 5,971,536 | \$ 5,736,073 | \$ 235,463 | 4.10 % |
| Support services | 3,543,709 | 4,094,187 | (550,478) | (13.45) % |
| Operation of non-instructional services | 309 | - | 309 | 100.00 % |
| Extracurricular activities | 205,890 | 208,790 | (2,900) | (1.39) % |
| Facilities acquisition and construction | 26,353 | 215,481 | (189,128) | (87.77) % |
| Capital outlay | 21,920 | - | 21,920 | 100.00 % |
| Debt service | <u>4,868</u> | <u>-</u> | <u>4,868</u> | 100.00 % |
| Total | <u>\$ 9,774,585</u> | <u>\$ 10,254,531</u> | <u>\$ (479,946)</u> | (4.68) % |

Other revenues, which are made up of rentals, contributions and donations, services provided to other entities, transportation fees and miscellaneous revenues increased \$205,304 or 104.38% primarily due to revenues from a settlement received in the fiscal year. Support services expenditures decreased \$550,478 or 13.45% primarily due to decreased spending throughout the District. Facilities acquisition and construction expenditures decreased \$189,128 or 87.77% as a result of the District not making as many repairs and replacements in the current fiscal year. Capital outlay and debt service expenditures increased \$21,920, and \$4,868, respectively due to the District acquiring a new capital lease in the general fund during the fiscal year.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

During the course of fiscal year 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,040,859 and final budgeted revenues and other financing sources were \$9,949,212. Actual revenues and other financing sources for fiscal year 2011 were \$9,949,412. This represents a \$200 increase over final budgeted revenues.

General fund original appropriations and other financing uses of \$10,839,911 were decreased to \$10,748,274 in the final appropriations and other financing uses. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$10,055,915, which was \$692,359 less than the final budget appropriations, mainly due to the Districts conservative budgeting.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$14,796,383 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2011 balances compared to June 30, 2010.

| | Capital Assets at June 30 | |
|---------------------------|----------------------------------|-----------------------------|
| | (Net of Depreciation) | |
| | <u>Governmental Activities</u> | |
| | <u>2011</u> | <u>2010</u> |
| Land | \$ 121,788 | \$ 121,788 |
| Construction in progress | - | 43,900 |
| Land improvements | 856,393 | 887,198 |
| Building and improvements | 13,271,630 | 13,705,122 |
| Furniture and equipment | 420,709 | 449,080 |
| Vehicles | <u>125,863</u> | <u>153,956</u> |
| Total | <u>\$ 14,796,383</u> | <u>\$ 15,361,044</u> |

The overall decrease in capital assets of \$564,661 is due to depreciation expense of \$637,141 exceeding capital outlays of \$72,480 in the fiscal year.

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

Debt Administration

At June 30, 2011, the District had \$2,111,841 in general obligation bonds, \$395,229 in lease purchase agreements outstanding and \$17,907 in capital leases outstanding. Of this total, \$258,367 is due within one year and \$2,266,610 is due in greater than one year. The following table summarizes the debt outstanding at June 30, 2011 and June 30, 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The following table summarizes the bonds and lease purchase agreements outstanding.

Outstanding Debt, at Year End

| | Governmental Activities 2011 | Governmental Activities 2010 |
|---------------------------|------------------------------------|------------------------------------|
| General obligation bonds | \$ 2,111,841 | \$ 2,270,000 |
| Capital leases | 17,907 | - |
| Lease-purchase agreements | 395,229 | 466,032 |
| Total | \$ 2,524,977 | \$ 2,736,032 |

At June 30, 2011, the District's overall legal debt margin was \$6,693,438, and an unvoted debt margin of \$94,045.

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

Current Financial Related Activities

The District has been very frugal and has carefully managed its general fund budget in order to get the maximum value for the tax dollars available for educating the students of the Newcomerstown Exempted Village School District. The District passed an 8 mill, five year emergency levy in the February 2006 special election (by a vote of 58% to 42%). This was the fourth try for additional operating revenue in the last few years and this is the first new, additional operating funds the District has received in the last 13 years. The levy generates \$750,000 annually.

The District also renewed a current 9.2 mill operating levy in May 2011. This operating levy generates \$560,000 annually. Voters rejected a 9.2 mill replacement tax levy that was placed on the November 2010 ballot. The replacement levy would have generated \$955,958 annually. The District settled a two year contract on wages and insurances with both the certified and classified associations. The contract expires on June 30, 2013. The District administration and both the Newcomerstown Teachers Association and the Newcomerstown Classified Association will begin negotiations of both language and salary and benefits in the spring of 2013.

The District has committed itself to educational and financial excellence. As a result, the District's financial abilities will continue to be tested, therefore making it a challenge to meet the high educational goals that have been set. However, with continued leadership from the Board of Education and prudent fiscal planning, the resources needed to meet the educational challenges ahead and desired student needs should be achieved.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 2,233,029 |
| Receivables: | |
| Taxes | 3,090,746 |
| Accounts. | 340 |
| Intergovernmental | 362,718 |
| Materials and supplies inventory. | 16,595 |
| Unamortized bond issuance costs | 85,581 |
| Capital assets: | |
| Land | 121,788 |
| Depreciable capital assets, net. | 14,674,595 |
| Capital assets, net | 14,796,383 |
| Total assets. | 20,585,392 |
| Liabilities: | |
| Accounts payable. | 44,206 |
| Accrued wages and benefits | 994,876 |
| Pension obligation payable. | 256,322 |
| Intergovernmental payable | 25,447 |
| Accrued interest payable | 5,237 |
| Claims payable. | 126,149 |
| Unearned revenue | 2,446,803 |
| Long-term liabilities: | |
| Due within one year. | 345,137 |
| Due in more than one year. | 2,775,146 |
| Total long-term liabilities. | 3,120,283 |
| Total liabilities | 7,019,323 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 12,187,666 |
| Restricted for: | |
| Debt service. | 357,009 |
| Capital projects | 92,691 |
| Classroom facilities maintenance | 181,062 |
| State funded programs. | 17,803 |
| Federally funded programs | 588,876 |
| Student activities | 13,124 |
| Other purposes | 93,679 |
| Unrestricted. | 34,159 |
| Total restricted net assets. | 1,266,243 |
| Total net assets | \$ 13,566,069 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|----------------------|-----------------------------------|---------------------------------------|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 4,942,816 | \$ 628,981 | \$ 262,241 | \$ (4,051,594) |
| Special | 1,191,037 | 165,608 | 1,185,469 | 160,040 |
| Vocational | 106,398 | - | 25,284 | (81,114) |
| Adult/continuing. | 6,517 | - | - | (6,517) |
| Other | 726,898 | - | - | (726,898) |
| Support services: | | | | |
| Pupil. | 302,234 | - | - | (302,234) |
| Instructional staff | 900,833 | - | 401,082 | (499,751) |
| Board of education | 17,867 | - | - | (17,867) |
| Administration. | 1,042,732 | - | 11,511 | (1,031,221) |
| Fiscal. | 333,713 | - | - | (333,713) |
| Operations and maintenance | 1,317,945 | 1,001 | 781,406 | (535,538) |
| Pupil transportation. | 536,006 | - | - | (536,006) |
| Central | 12,305 | - | - | (12,305) |
| Operation of non-instructional services: | | | | |
| Food service operations | 638,905 | 147,717 | 446,891 | (44,297) |
| Other non-instructional services | 30,374 | - | 16,508 | (13,866) |
| Extracurricular activities. | 386,316 | 142,190 | - | (244,126) |
| Interest and fiscal charges. | 120,588 | - | - | (120,588) |
| Total governmental activities | \$ 12,613,484 | \$ 1,085,497 | \$ 3,130,392 | (8,397,595) |
| General Revenues: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | 2,702,190 |
| Special revenue | | | | 34,806 |
| Debt service. | | | | 226,339 |
| Grants and entitlements not restricted | | | | |
| to specific programs | | | | 5,568,394 |
| Investment earnings | | | | 23 |
| Miscellaneous | | | | 429,504 |
| Total general revenues | | | | 8,961,256 |
| Change in net assets | | | | 563,661 |
| Net assets at beginning of year. | | | | 13,002,408 |
| Net assets at end of year | | | | \$ 13,566,069 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

| | General | Other Governmental Funds | Total Governmental Funds |
|---|----------------|---|---|
| Assets: | | | |
| Equity in pooled cash and cash equivalents. | \$ 500,420 | \$ 950,637 | \$ 1,451,057 |
| Receivables: | | | |
| Taxes | 2,833,024 | 257,722 | 3,090,746 |
| Accounts | 340 | - | 340 |
| Intergovernmental. | - | 362,718 | 362,718 |
| Materials and supplies inventory. | - | 16,595 | 16,595 |
| Due from other funds | 363,843 | - | 363,843 |
| Restricted assets: | | | |
| Equity in pooled cash and cash equivalents | 93,679 | - | 93,679 |
| Total assets | \$ 3,791,306 | \$ 1,587,672 | \$ 5,378,978 |
| Liabilities: | | | |
| Accounts payable | \$ 38,579 | \$ 5,627 | \$ 44,206 |
| Accrued wages and benefits. | 851,991 | 142,885 | 994,876 |
| Compensated absences payable | 57,163 | 3,961 | 61,124 |
| Pension obligation payable | 173,588 | 82,734 | 256,322 |
| Intergovernmental payable | 22,198 | 3,249 | 25,447 |
| Due to other funds | - | 363,843 | 363,843 |
| Deferred revenue | 314,124 | 331,791 | 645,915 |
| Unearned revenue. | 2,242,158 | 204,645 | 2,446,803 |
| Total liabilities. | 3,699,801 | 1,138,735 | 4,838,536 |
| Fund Balances: | | | |
| Nonspendable: | | | |
| Materials and supplies inventory. | - | 16,595 | 16,595 |
| Restricted: | | | |
| Debt service | - | 339,350 | 339,350 |
| Capital improvements | - | 92,691 | 92,691 |
| Classroom facilities maintenance | - | 177,206 | 177,206 |
| Targeted academic assistance | - | 36,868 | 36,868 |
| Other purposes. | - | 264,772 | 264,772 |
| Extracurricular. | - | 13,124 | 13,124 |
| Textbooks | 93,679 | - | 93,679 |
| Committed: | | | |
| Student and staff support | 4,186 | - | 4,186 |
| Facilities acquisition and construction | 65,000 | - | 65,000 |
| Assigned: | | | |
| Student instruction | 72,414 | - | 72,414 |
| Student and staff support. | 58,806 | - | 58,806 |
| Extracurricular activities | 862 | - | 862 |
| Facilities acquisition and construction | 11,962 | - | 11,962 |
| Uniform school supplies | 5,250 | - | 5,250 |
| Public school support | 20,744 | - | 20,744 |
| Unassigned (deficit). | (241,398) | (491,669) | (733,067) |
| Total fund balances | 91,505 | 448,937 | 540,442 |
| Total liabilities and fund balances | \$ 3,791,306 | \$ 1,587,672 | \$ 5,378,978 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

| | | | |
|--|----|-------------|-------------|
| Total governmental fund balances | | \$ | 540,442 |
| <i>Amounts reported for governmental activities on the statement of net assets are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 14,796,383 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | | |
| Taxes receivable | \$ | 340,876 | |
| Intergovernmental receivable | | 305,039 | |
| Total | | 645,915 | 645,915 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. | | | 562,144 |
| Unamortized deferred charges are not recognized in the funds | | | 50,835 |
| Unamortized premiums on bond issuance are not recognized in the funds. | | | (136,418) |
| Unamortized bond issuance costs are not recognized in the funds | | | 85,581 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (5,237) |
| Long-term liabilities, including leases and bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| Compensated absences | | 448,599 | |
| Lease-purchase agreement | | 395,229 | |
| Capital lease obligations | | 17,907 | |
| General obligation current interest bonds | | 2,100,000 | |
| General obligation capital appreciation bonds | | 9,998 | |
| Accreted interest on capital appreciation bonds | | 1,843 | |
| Total | | (2,973,576) | (2,973,576) |
| Net assets of governmental activities | | \$ | 13,566,069 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | General | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|---|---|
| Revenues: | | | |
| From local sources: | | | |
| Taxes | \$ 2,689,323 | \$ 265,281 | \$ 2,954,604 |
| Tuition | 778,071 | - | 778,071 |
| Charges for services | - | 148,393 | 148,393 |
| Earnings on investments | - | 24 | 24 |
| Extracurricular | 50,762 | 91,428 | 142,190 |
| Classroom materials and fees | 16,518 | - | 16,518 |
| Rental income | 325 | - | 325 |
| Contributions and donations | 19,193 | 95,108 | 114,301 |
| Other local revenues | 315,203 | - | 315,203 |
| Intergovernmental - State | 6,204,506 | 222,293 | 6,426,799 |
| Intergovernmental - Federal | - | 1,997,041 | 1,997,041 |
| Total revenues | <u>10,073,901</u> | <u>2,819,568</u> | <u>12,893,469</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 4,413,458 | 298,911 | 4,712,369 |
| Special | 720,277 | 454,301 | 1,174,578 |
| Vocational | 104,386 | - | 104,386 |
| Adult/continuing | 6,517 | - | 6,517 |
| Other | 726,898 | - | 726,898 |
| Support services: | | | |
| Pupil | 298,391 | - | 298,391 |
| Instructional staff | 528,906 | 350,253 | 879,159 |
| Board of education | 17,867 | - | 17,867 |
| Administration | 1,029,546 | 8,689 | 1,038,235 |
| Fiscal | 329,626 | - | 329,626 |
| Operations and maintenance | 811,911 | 379,956 | 1,191,867 |
| Pupil transportation | 515,157 | - | 515,157 |
| Central | 12,305 | - | 12,305 |
| Operation of non-instructional services: | | | |
| Food service operations | - | 612,509 | 612,509 |
| Other non-instructional services | 309 | 20,240 | 20,549 |
| Extracurricular activities | 205,890 | 83,797 | 289,687 |
| Facilities acquisition and construction | 26,353 | 77,724 | 104,077 |
| Capital outlay | 21,920 | - | 21,920 |
| Debt service: | | | |
| Principal retirement | 4,013 | 230,803 | 234,816 |
| Interest and fiscal charges | 855 | 123,410 | 124,265 |
| Bond issuance costs | - | 89,954 | 89,954 |
| Total expenditures | <u>9,774,585</u> | <u>2,730,547</u> | <u>12,505,132</u> |
| Excess of revenues over expenditures | <u>299,316</u> | <u>89,021</u> | <u>388,337</u> |
| Other financing sources (uses): | | | |
| Transfers in | 1,453 | - | 1,453 |
| Transfers (out) | - | (1,453) | (1,453) |
| Capital lease transaction | 21,920 | - | 21,920 |
| Premium on bonds | - | 143,388 | 143,388 |
| Sale of refunding bonds | - | 2,109,998 | 2,109,998 |
| Payment to refunding bond escrow agent | - | (2,163,432) | (2,163,432) |
| Total other financing sources (uses) | <u>23,373</u> | <u>88,501</u> | <u>111,874</u> |
| Net change in fund balances | 322,689 | 177,522 | 500,211 |
| Fund balances (deficit) | | | |
| at beginning of year (restated) | (231,184) | 271,415 | 40,231 |
| Fund balances at end of year | <u>\$ 91,505</u> | <u>\$ 448,937</u> | <u>\$ 540,442</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | | |
|--|-------------|----------------|
| Net change in fund balances - total governmental funds | \$ | 500,211 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. | | |
| Capital asset additions | \$ 72,480 | |
| Current year depreciation | (637,141) | |
| Total | | (564,661) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Taxes | 8,731 | |
| Intergovernmental | 274,946 | |
| Earnings on investments | (1) | |
| Total | | 283,676 |
| Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. | | |
| | | 234,816 |
| Issuances of refunding bonds and capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets. | | |
| Bonds | (2,109,998) | |
| Capital leases | (21,920) | |
| Total | | (2,131,918) |
| Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year: | | |
| Bonds refunded | 2,109,998 | |
| Deferred charges on refundings | 53,434 | |
| Total | | 2,163,432 |
| Premiums on bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year: | | |
| Premiums on bonds | (143,388) | |
| Bond issuance costs | 89,954 | |
| Total | | (53,434) |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities: | | |
| Decrease in accrued interest payable | 5,520 | |
| Accreted interest on capital appreciation bonds | (1,843) | |
| Amortization of bond issuance costs | (4,373) | |
| Amortization of bond premiums | 6,970 | |
| Amortization of deferred charges | (2,597) | |
| Total | | 3,677 |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | 13,364 |
| An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities. | | |
| | | 114,498 |
| Change in net assets of governmental activities | \$ | 563,661 |

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 2,654,732 | \$ 2,630,546 | \$ 2,630,546 | \$ - |
| Tuition. | 785,225 | 778,071 | 778,071 | - |
| Rental income | 328 | 325 | 325 | - |
| Contributions and donations | 19,369 | 19,193 | 19,193 | - |
| Other local revenues | 316,073 | 312,993 | 313,193 | 200 |
| Intergovernmental - state | 6,261,739 | 6,204,691 | 6,204,691 | - |
| Total revenues | <u>10,037,466</u> | <u>9,945,819</u> | <u>9,946,019</u> | <u>200</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,656,257 | 4,546,546 | 4,453,680 | 92,866 |
| Special. | 719,678 | 723,068 | 722,166 | 902 |
| Vocational. | 106,126 | 106,413 | 106,385 | 28 |
| Adult/continuing | 122 | 6,496 | 6,488 | 8 |
| Other. | 534,313 | 996,946 | 789,672 | 207,274 |
| Support services: | | | | |
| Pupil. | 248,552 | 329,108 | 329,031 | 77 |
| Instructional staff | 586,005 | 549,166 | 537,177 | 11,989 |
| Board of education | 26,303 | 18,329 | 17,816 | 513 |
| Administration. | 1,130,939 | 1,080,346 | 1,062,961 | 17,385 |
| Fiscal | 353,971 | 347,615 | 338,992 | 8,623 |
| Operations and maintenance. | 1,301,615 | 919,733 | 868,100 | 51,633 |
| Pupil transportation | 536,306 | 563,883 | 549,684 | 14,199 |
| Central. | 223 | 11,900 | 11,900 | - |
| Operation of non-instructional services | 6 | 309 | 309 | - |
| Extracurricular activities. | 170,476 | 158,516 | 157,594 | 922 |
| Facilities acquisition and construction | 69,411 | 389,900 | 103,960 | 285,940 |
| Total expenditures | <u>10,440,303</u> | <u>10,748,274</u> | <u>10,055,915</u> | <u>692,359</u> |
| Excess of expenditures over revenues | <u>(402,837)</u> | <u>(802,455)</u> | <u>(109,896)</u> | <u>692,559</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 1,940 | 1,940 | 1,940 | - |
| Transfers in | 1,453 | 1,453 | 1,453 | - |
| Transfers (out). | (399,608) | - | - | - |
| Total other financing sources (uses) | <u>(396,215)</u> | <u>3,393</u> | <u>3,393</u> | <u>-</u> |
| Net change in fund balance | (799,052) | (799,062) | (106,503) | 692,559 |
| Fund balance at beginning of year | 610,431 | 610,431 | 610,431 | - |
| Prior year encumbrances appropriated . . | 188,631 | 188,631 | 188,631 | - |
| Fund balance at end of year | <u>\$ 10</u> | <u>\$ -</u> | <u>\$ 692,559</u> | <u>\$ 692,559</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

| | Governmental Activities - Internal Service Fund |
|---|--|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 688,293 |
| Total assets. | <u>688,293</u> |
| Liabilities: | |
| Claims payable | <u>126,149</u> |
| Total liabilities | <u>126,149</u> |
| Net assets: | |
| Unrestricted. | <u>562,144</u> |
| Total net assets | <u>\$ 562,144</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Governmental Activities - Internal Service Fund |
|--|--|
| Operating revenues: | |
| Charges for services | \$ 1,936,726 |
| Total operating revenues | <u>1,936,726</u> |
| Operating expenses: | |
| Claims | <u>1,822,228</u> |
| Total operating expenses. | <u>1,822,228</u> |
| Operating income/change in net assets | 114,498 |
| Net assets at beginning of year | <u>447,646</u> |
| Net assets at end of year. | <u><u>\$ 562,144</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Governmental Activities - Internal Service Fund |
|---|--|
| Cash flows from operating activities: | |
| Cash received from charges for services | \$ 1,936,726 |
| Cash payments for claims | <u>(1,839,283)</u> |
| Net cash provided by operating activities | <u>97,443</u> |
| Net increase in cash and cash equivalents. | 97,443 |
| Cash and cash equivalents at beginning of year. . . | <u>590,850</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 688,293</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 114,498 |
| Changes in assets and liabilities: (Decrease) in claims payable | <u>(17,055)</u> |
| Net cash provided by operating activities. | <u><u>\$ 97,443</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

| | Private Purpose Trust | |
|---|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Current assets: | | |
| Equity in pooled cash and cash equivalents | \$ - | \$ 51,020 |
| Investments in segregated accounts | 1,573 | - |
| Total assets. | 1,573 | \$ 51,020 |
| Liabilities: | | |
| Accounts payable. | - | \$ 2,419 |
| Intergovernmental payable | - | 5 |
| Due to students. | - | 48,596 |
| Total liabilities | - | \$ 51,020 |
| Net assets: | | |
| Held in trust for scholarships | 1,573 | |
| Total net assets | \$ 1,573 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Private Purpose Trust |
|--|----------------------------------|
| | Scholarship |
| Additions: | |
| Interest. | \$ 9 |
| Total additions. | 9 |
| Deductions: | |
| Scholarships awarded | 200 |
| Change in net assets. | (191) |
| Net assets at beginning of year | 1,764 |
| Net assets at end of year. | \$ 1,573 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1856 through the consolidation of existing land areas and school districts. The District is staffed by 52 non-certified employees, 84 certified full-time teaching personnel and 12 administrative employees who provide services to 1,133 students and other community members. The District is the 439th largest among the 918 public school districts and community schools in the State of Ohio in terms of enrollment. The District currently operates 4 instructional buildings, 1 administrative building and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Career Center

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Career Center's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Career Center's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Career Center. Each participating District's control is limited to its representation on the Career Center's Board of Education. During fiscal year 2011, no monies were paid to the career center by the District.

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

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

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

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

OME-RESA is owned and operated by 44 member districts in 11 different Ohio counties. The member districts are comprised of public districts and County Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA. During fiscal year 2011, the District Paid \$29,340 in various service fees to OME-RESA.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Tuscarawas County Tax Incentive Review Council

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

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations. During fiscal year 2011, no monies were paid to the TCTIRC by the District.

PUBLIC ENTITY RISK POOL

Workers' Compensation Group Rating Program

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2011, have been reported as deferred revenue.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

TAX BUDGET

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

ESTIMATED RESOURCES

The Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final certificates of estimated resources issued during fiscal year 2011.

APPROPRIATIONS

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

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted by the Board of Education during fiscal year 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

LAPSING OF APPROPRIATIONS

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

F. Cash and Cash Equivalents

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

During fiscal year 2011, investments were limited to a nonnegotiable certificate of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The certificate of deposit maintained in the Claude Hinds Memorial Fund is reflected on the statement of fiduciary net assets as "investments in segregated accounts".

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. During fiscal year 2011 there was no interest revenue credited to the general fund.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. In addition, the capitalization for land and building improvement is \$15,000; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The District does not possess infrastructure.

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 10 years of service or any age with at least 20 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted by State statute for textbooks/instructional materials.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

N. Estimates

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook/instructional materials reserve. This restricted asset is required by State statute. A schedule of set-asides is presented in Note 18.

P. Interfund Activity

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

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

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

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

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

| | <u>General</u> | <u>Nonmajor Governmental</u> | <u>Total Governmental</u> |
|---|---------------------|----------------------------------|-------------------------------|
| Fund balance (deficit) as previously reported | \$ (255,187) | \$ 295,418 | \$ 40,231 |
| Fund reclassifications: | | | |
| Uniform school supplies fund | 4,793 | (4,793) | - |
| Public school support fund | <u>19,210</u> | <u>(19,210)</u> | <u>-</u> |
| Total fund reclassifications | <u>24,003</u> | <u>(24,003)</u> | <u>-</u> |
| Restated fund balance (deficit) at July 1, 2010 | <u>\$ (231,184)</u> | <u>\$ 271,415</u> | <u>\$ 40,231</u> |

The fund reclassifications did not have an effect on net assets as previously reported.

C. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|---------------------------------|----------------|
| Food service | \$ 408,138 |
| Public school preschool | 4,476 |
| Poverty aid | 577 |
| IDEA Part-B | 25,651 |
| Title disadvantaged children | 25,666 |
| Vernon and Edith Lee trust fund | 10,566 |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. Except for the food service nonmajor special revenue fund and the Vernon and Edith Lee nonmajor permanent fund, the deficit fund balances resulted from adjustments for accrued liabilities.

D. Compliance

Contrary to Ohio Revised Code section 5705.41(B), District expenditures in the food service fund exceeded appropriations.

Contrary to Ohio Revised Code 5705.10, the District incurred negative cash balances throughout the fiscal year in the food service fund and the Vernon and Edith Lee trust fund.

NOTE 4 - DEPOSITS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS - (Continued)

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

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

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

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$2,285,622. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$2,285,622 was covered by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS - (Continued)

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

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net assets as of June 30, 2011:

| | |
|--|---------------------|
| <u>Cash and cash equivalents per note</u> | |
| Carrying amount of deposits | \$ 2,285,622 |
| Total | <u>\$ 2,285,622</u> |
| <u>Cash and cash equivalents per statement of net assets</u> | |
| Governmental activities | \$ 2,233,029 |
| Private-purpose trust fund | 1,573 |
| Agency fund | <u>51,020</u> |
| Total | <u>\$ 2,285,622</u> |

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

| | |
|---|-----------------|
| <u>Transfers from nonmajor governmental funds to:</u> | |
| General fund | <u>\$ 1,453</u> |

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget required to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer made from the debt service fund (a nonmajor governmental fund) to the general fund was a residual equity transfer that was approved by the board.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the statement of activities.

- B. Interfund balances for the year ended June 30, 2011, consisted of the following due to/from other funds, as reported on the fund financial statements:

| | Due from other funds | Due to other funds |
|-------------------------------------|-------------------------|-----------------------|
| General fund | \$ 363,843 | \$ - |
| <u>Nonmajor governmental funds:</u> | | |
| Food service | - | 353,277 |
| Vernon and Edith Lee trust fund | - | <u>10,566</u> |
| Total | <u>\$ 363,843</u> | <u>\$ 363,843</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Tuscarawas County, Guernsey County and Coshocton 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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$276,742 in the general fund, \$3,639 in the classroom maintenance fund (a nonmajor governmental fund) and \$23,026 in the debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$217,965 in the general fund, \$2,940 in the classroom maintenance fund (a nonmajor governmental fund) and \$24,138 in the debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

| | 2010 Second Half Collections | | 2011 First Half Collections | |
|--|---------------------------------|----------------------|--------------------------------|----------------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential real estate | \$ 67,482,920 | 73.30 | \$ 67,532,810 | 71.81 |
| Commercial/industrial real estate | 17,459,550 | 18.96 | 19,083,000 | 20.29 |
| Public utility personal | <u>7,127,160</u> | <u>7.74</u> | <u>7,429,590</u> | <u>7.90</u> |
| Total | <u>\$ 92,069,630</u> | <u>100.00</u> | <u>\$ 94,045,400</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation for: | | | | |
| Operations | \$ 53.90 | | \$ 52.80 | |
| Permanent improvement | 0.50 | | 0.50 | |
| Debt service | 3.22 | | 2.50 | |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

| | |
|-------------------|----------------------------|
| Taxes | \$ 3,090,746 |
| Accounts | 340 |
| Intergovernmental | <u>362,718</u> |
| Total | <u>\$ 3,453,804</u> |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

| | Balance | | | Balance |
|---|----------------------|---------------------|--------------------|----------------------|
| | <u>June 30, 2010</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2011</u> |
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 121,788 | \$ - | \$ - | \$ 121,788 |
| Construction in progress | 43,900 | 21,950 | (65,850) | - |
| Total capital assets, not being depreciated | <u>165,688</u> | <u>21,950</u> | <u>(65,850)</u> | <u>121,788</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 1,735,007 | 65,850 | - | 1,800,857 |
| Buildings and improvements | 19,982,766 | - | - | 19,982,766 |
| Furniture and equipment | 2,542,168 | 50,530 | - | 2,592,698 |
| Vehicles | 873,348 | - | - | 873,348 |
| Total capital assets, being depreciated | <u>25,133,289</u> | <u>116,380</u> | <u>-</u> | <u>25,249,669</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Land improvements | (847,809) | (96,655) | - | (944,464) |
| Buildings and improvements | (6,277,644) | (433,492) | - | (6,711,136) |
| Furniture and equipment | (2,093,088) | (78,901) | - | (2,171,989) |
| Vehicles | (719,392) | (28,093) | - | (747,485) |
| Total accumulated depreciation | <u>(9,937,933)</u> | <u>(637,141)</u> | <u>-</u> | <u>(10,575,074)</u> |
| Governmental activities capital assets, net | <u>\$ 15,361,044</u> | <u>\$ (498,811)</u> | <u>\$ (65,850)</u> | <u>\$ 14,796,383</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 321,903 |
| Special | 39,024 |
| Vocational | 2,984 |
| <u>Support services:</u> | |
| Pupil | 4,815 |
| Instructional staff | 33,527 |
| Administration | 12,251 |
| Fiscal | 3,286 |
| Operations and maintenance | 53,124 |
| Pupil transportation | 28,479 |
| Other non-instructional services | 9,825 |
| Extracurricular activities | 96,629 |
| Food service operations | <u>31,294</u> |
| Total depreciation expense | <u>\$ 637,141</u> |

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During the fiscal year, the District entered into capital lease agreements for copier equipment. The lease agreements meet the criteria of capital leases as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds and as a reduction to the liability for the principal portion on the government-wide financial statements. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$21,920. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 was \$2,840, leaving a current book value of \$19,080. A corresponding liability was recorded on the statement of net assets. Principal and interest payments in the 2011 fiscal year totaled \$4,013 and \$855, respectively, paid by the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

| <u>Fiscal Year</u> <u>Ending June 30,</u> | <u>Amount</u> |
|--|------------------|
| 2012 | \$ 6,412 |
| 2013 | 6,412 |
| 2014 | 3,444 |
| 2015 | 2,850 |
| 2016 | <u>950</u> |
| Total minimum lease payments | 20,068 |
| Less: Amount representing interest | <u>(2,161)</u> |
| Total | <u>\$ 17,907</u> |

NOTE 10 - LEASE-PURCHASE AGREEMENT

On June 15, 2001, the District entered into a lease-purchase agreement with Banc One Leasing Corporation for the financing of the reconstruction and improvement of Lee Stadium, which includes bleachers, new all-weather track facilities and a concession/restroom building. The source of revenue to fund the principal and interest payments is derived from the Vernon and Edith Lee trust fund. The trust agreement stipulates that the monies donated to the District are to be used under the direction of the Board of Education for the maintenance, repair, construction and reconstruction to the District's athletic facilities. During fiscal year 2011, the District made principal payments totaling \$70,803 and interest payments totaling \$26,197 on the lease-purchase agreement. The lease payments are recorded as expenditures in the permanent fund (a nonmajor governmental fund).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LEASE-PURCHASE AGREEMENT - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2011:

| <u>Fiscal Year Ending June 30.</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2012 | \$ 95,000 |
| 2013 | 95,000 |
| 2014 | 95,000 |
| 2015 | 95,000 |
| 2016 | <u>79,734</u> |
| Total minimum lease payments | 459,734 |
| Less: amount representing interest | <u>(64,505)</u> |
| Total | <u>\$ 395,229</u> |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

| <u>Governmental activities:</u> | Balance 06/30/10 | Increases | Decreases | Balance 06/30/11 | Amount Due Within One Year |
|--|---------------------|---------------------|-----------------------|---|----------------------------------|
| <u>General obligation bonds</u> | | | | | |
| Current interest refunding bonds-series 1999 | \$ 50,000 | \$ - | \$ (50,000) | \$ - | \$ - |
| Current interest bonds-series 2001 | 2,220,000 | - | (2,220,000) | - | - |
| Current interest refunding bonds-series 2010 | - | 2,100,000 | - | 2,100,000 | 180,000 |
| Capital appreciation refunding bonds-series 2010 | - | 9,998 | - | 9,998 | - |
| Accreted interest-series 2010 | - | 1,843 | - | 1,843 | - |
| Total general obligation bonds | <u>2,270,000</u> | <u>2,111,841</u> | <u>(2,270,000)</u> | <u>2,111,841</u> | <u>180,000</u> |
| Capital leases | - | 21,920 | (4,013) | 17,907 | 5,399 |
| Lease-purchase agreement payable | 466,032 | - | (70,803) | 395,229 | 72,968 |
| Compensated absences | <u>577,305</u> | <u>103,048</u> | <u>(170,630)</u> | <u>509,723</u> | <u>86,770</u> |
| Total long-term obligations | <u>\$ 3,313,337</u> | <u>\$ 2,236,809</u> | <u>\$ (2,515,446)</u> | <u>3,034,700</u> | <u>\$ 345,137</u> |
| | | | | Add: Unamortized premium on bonds - 2010 | 136,418 |
| | | | | Less: Unamortized deferred charges - 2010 | <u>(50,835)</u> |
| | | | | Total reported on statement of net assets | <u>\$ 3,120,283</u> |

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

- B. On October 1, 1999, the District issued \$715,000 general obligation various purpose refunding bonds. The bonds bear interest at rates ranging from 4.55% to 5.55% per annum and mature in various installments through December 1, 2010. The proceeds of the bonds were used to advance refund the 1989 general obligation school improvement bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding.

The assets held in trust as a result of the advance refundings described above are not included in the accompanying basic financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Payments of principal and interest on the refunding bonds are made from the debt service fund. The following is a description of the District's refunding bond activity for fiscal year 2011:

| | Interest | Balance | | | Balance | Amounts |
|--------------------------|----------|---------------|-----------|-------------|---------------|----------|
| | Rate | Outstanding | Additions | Reductions | Outstanding | Due in |
| | | June 30, 2010 | | | June 30, 2011 | One Year |
| General obligation bonds | 4.65% | \$ 50,000 | \$ - | \$ (50,000) | \$ - | \$ - |

- C. During fiscal year 2001, the District issued \$3,037,000 in general obligation bonds to provide funds for the renovations and additions to the existing west elementary, middle school and high school. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.2 mil bonded debt tax levy.

Interest payments on the general obligation bonds are due on December 1 of each year. Interest rates range from 4.5% to 5.67% per annum and mature in various installments through December 1, 2023. The final maturity stated in the issue is December 1, 2023. During fiscal year 2011, the District refunded the bond issue (see note 11.D for detail).

In conjunction with the 3.2 mils which support the bond issue, the District also passed in fiscal year 2001 a .5 mil levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund).

The following is a description of the District's school improvement bonds activity for fiscal year 2011:

| | Interest | Outstanding | | | Outstanding | Due in |
|--------------------------|----------|---------------|-----------|----------------|---------------|----------|
| | Rate | June 30, 2010 | Additions | Reductions | June 30, 2011 | One Year |
| General obligation bonds | 5.00% | \$ 2,220,000 | \$ - | \$ (2,220,000) | \$ - | \$ - |

D. Series 2010 Refunding General Obligation Bonds

On December 1, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to currently refund the callable portion of the Series 2001 school improvement general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded general obligation bonds at June 30, 2011, is \$2,109,998.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The refunding issue is comprised of both current interest bonds, par value \$2,100,000, and capital appreciation bonds par value \$9,998. The interest rates on the current interest bonds range from 2.00% - 4.25%. The capital appreciation bonds mature on December 1, 2019 (interest rate 36.860%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing each December 1, 2019 is \$210,000. Total accreted interest of \$1,843 has been included in the statement of net assets at June 30, 2011.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022.

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

| | Interest Rate | Balance Outstanding June 30, 2010 | Additions | Reductions | Balance Outstanding June 30, 2011 | Amounts Due in One Year |
|--------------------------------------|------------------|---|---------------------|-------------|---|-------------------------------|
| Current interest refunding bonds | 2.00-4.25% | \$ - | \$ 2,100,000 | \$ - | \$ 2,100,000 | \$ 180,000 |
| Capital appreciation refunding bonds | | - | 9,998 | - | 9,998 | - |
| Accreted interest | | - | 1,843 | - | 1,843 | - |
| Total | | \$ - | \$ 2,111,841 | \$ - | \$ 2,111,841 | \$ 180,000 |

- E.** Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011, are as follows:

| Fiscal Year Ending June 30, | Current Interest Bonds - Refunding 2010 | | | Capital Appreciation Bonds - Refunding 2010 | | |
|--------------------------------|---|-------------------|---------------------|---|-------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2012 | \$ 180,000 | \$ 61,038 | \$ 241,038 | \$ - | \$ - | \$ - |
| 2013 | 180,000 | 57,437 | 237,437 | - | - | - |
| 2014 | 185,000 | 53,787 | 238,787 | - | - | - |
| 2015 | 185,000 | 49,856 | 234,856 | - | - | - |
| 2016 | 195,000 | 45,338 | 240,338 | - | - | - |
| 2017 - 2021 | 810,000 | 143,287 | 953,287 | 9,998 | 200,002 | 210,000 |
| 2022 - 2023 | 365,000 | 13,863 | 378,863 | - | - | - |
| Total | \$ 2,100,000 | \$ 424,606 | \$ 2,524,606 | \$ 9,998 | \$ 200,002 | \$ 210,000 |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$6,693,438 (including available funds of \$339,350) and an unvoted debt margin of \$94,045.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Life Insurance

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

C. Retirement Incentive

A onetime retirement bonus in the amount of \$10,000 will be available to bargaining unit members who become first time eligible for retirement or reach 30 years of service under STRS guidelines and retire at the end of the school year in which they qualify. Payment shall be made the January following retirement. The District had 2 employees that took part in the retirement incentive in fiscal year 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District contracted with Ohio School Plan for property insurance, for fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Ohio School Plan are as follows:

| | |
|---|--------------|
| Building and contents - replacement cost (\$1,000 deductible) | \$57,919,637 |
| Automobile liability (Buses, \$1,000 deductible; Other, \$250/\$500 deductible) | 5,000,000 |
| Professional liability: | |
| Per occurrence | 5,000,000 |
| Per aggregate | 7,000,000 |
| Excess auto liability: | |
| Per occurrence | 5,000,000 |

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

B. Workers' Compensation

For fiscal year 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (See Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Sheakley UniServe provides administrative, cost control and actuarial services to the Plan.

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

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The claims liability of \$126,149 reported in the internal service fund at June 30, 2011, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Claims Incurred</u> | <u>Claims Payments</u> | <u>Ending Balance</u> |
|--------------------|------------------------------|----------------------------|----------------------------|---------------------------|
| 2011 | \$ 143,204 | \$ 1,822,228 | \$ (1,839,283) | \$ 126,149 |
| 2010 | 96,248 | 1,932,108 | (1,885,152) | 143,204 |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$175,143, \$197,522 and \$135,847, respectively; 51.58 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$582,883, \$620,378 and \$608,543, respectively; 83.11 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$10,682 made by the District and \$7,630 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$44,600, \$37,109 and \$90,249, respectively; 51.58 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$11,271, \$11,746 and \$11,213, respectively; 51.58 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$44,837, \$47,721 and \$46,811, respectively; 83.11 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ (106,503) |
| Net adjustment for revenue accruals | 60,602 |
| Net adjustment for expenditure accruals | 109,108 |
| Net adjustment for other sources/uses | 19,980 |
| Funds budgeted elsewhere | 1,991 |
| Adjustment for encumbrances | 237,511 |
| GAAP basis | \$ 322,689 |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 18 - SET-ASIDES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years. The capital maintenance reserve at June 30, 2010 has been restated from \$22,463 to \$0 to properly reflect prior year offsets from bond proceeds.

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

| | <u>Textbooks</u> | <u>Capital Improvements</u> |
|---|------------------|---------------------------------|
| Set-aside balance June 30, 2010 | \$ 157,102 | \$ - |
| Current year set-aside requirement | 157,149 | 157,149 |
| Contributions in excess of the current fiscal year set-aside requirement | - | - |
| Current year qualifying expenditures | (220,572) | (36,908) |
| Excess qualified expenditures from prior years | - | - |
| Current year offsets | - | (33,867) |
| Waiver granted by ODE | - | - |
| Prior year offset from bond proceeds | - | (86,374) |
| Total | <u>\$ 93,679</u> | <u>\$ -</u> |
| Balance carried forward to fiscal year 2012 | <u>\$ -</u> | <u>\$ -</u> |
| Set-aside balance June 30, 2011 | <u>\$ 93,679</u> | <u>\$ -</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - SET-ASIDES - (Continued)

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This positive balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that could reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

A schedule of the restricted assets at June 30, 2011 follows:

| | |
|---------------------------------|------------------|
| Amount restricted for textbooks | <u>\$ 93,679</u> |
|---------------------------------|------------------|

NOTE 19 - OPERATING LEASES - LESSEE DISCLOSURE

The District has entered into a non-cancelable operating lease agreement for equipment which expires during fiscal year 2014. Equipment operating lease expenditures totaled \$26,160 in fiscal year 2011. The agreement provides for annual lease payments as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2012 | \$ 26,160 |
| 2013 | 26,160 |
| 2014 | <u>6,540</u> |
| Total minimum lease payments | <u>\$ 58,860</u> |

NOTE 20 - OTHER COMMITMENTS

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

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|--------------------|----------------------------------|
| General fund | \$ 213,461 |
| Other governmental | <u>61,513</u> |
| Total | <u>\$ 274,974</u> |

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**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

| Federal Grantor/ Passed Through Grantor/ Program Title | Pass Through Grantor Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|-----------------------------------|---------------------------|--------------------|----------------------|--------------------|--------------------------|
| <u>U.S. Department of Agriculture</u> | | | | | | |
| <i>(Passed through the Ohio Department of Education)</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Non-Cash Assistance (Food Program): | | | | | | |
| National School Lunch Program | N/A | 10.550 | | \$33,554 | | \$33,554 |
| Cash Assistance: | | | | | | |
| National School Breakfast Program | N/A | 10.553 | \$114,942 | | \$114,942 | |
| National School Lunch Program | N/A | 10.555 | 288,503 | | 288,503 | |
| <i>Total Child Nutrition Cluster</i> | | | 403,445 | 33,554 | 403,445 | 33,554 |
| <i>Total U.S. Department of Agriculture</i> | | | 403,445 | 33,554 | 403,445 | 33,554 |
| <u>U.S. Department of Education</u> | | | | | | |
| <i>(Passed Through the Ohio Department of Education)</i> | | | | | | |
| <i>Title I Grants to Local Educational Agencies Cluster:</i> | | | | | | |
| Title I Grants to Local Educational Agencies | C1S110 | 84.010 | 41,953 | | 55,186 | |
| Title I Grants to Local Educational Agencies | C1S111 | 84.010 | 285,136 | | 288,465 | |
| ARRA - Title I Grants to Local Educational Agencies | C1S110 | 84.389 | 5,593 | | 22,533 | |
| ARRA - Title I Grants to Local Educational Agencies | C1S111 | 84.389 | 9,703 | | 7,598 | |
| <i>Total Title I Grants to Local Educational Agencies Cluster</i> | | | 342,385 | | 373,782 | |
| <i>Special Education Cluster (IDEA):</i> | | | | | | |
| Special Education - Grants to States (IDEA part B) | 6BSF10 | 84.027 | 21,845 | | 30,848 | |
| Special Education - Grants to States (IDEA part B) | 6BSF11 | 84.027 | 227,470 | | 211,640 | |
| ARRA - Special Education - Grants to States (IDEA part B) | 6BSF10 | 84.391 | 27,800 | | 49,150 | |
| ARRA - Special Education - Grants to States (IDEA part B) | 6BSF11 | 84.391 | 25,716 | | 52,200 | |
| <i>Total Special Education Cluster (IDEA)</i> | | | 302,831 | | 343,838 | |
| Safe and Drug Free Schools and Community State Grant | DRS110 | 84.186 | | | 460 | |
| Safe and Drug Free Schools and Community State Grant | DRS111 | 84.186 | 3,550 | | 3,600 | |
| <i>Total Safe and Drug Free Schools and Community State Grant</i> | | | 3,550 | | 4,060 | |
| <i>Education Technology State Grants Cluster:</i> | | | | | | |
| Technology Literacy Challenge Funds Grants | TJS110 | 84.318 | 11 | | | |
| Technology Literacy Challenge Funds Grants | TJS111 | 84.318 | 755 | | 684 | |
| ARRA - Technology Literacy Challenge Funds Grants | TJS110 | 84.386 | 22,837 | | 32,676 | |
| ARRA - Technology Literacy Challenge Funds Grants | TJS111 | 84.386 | 143,393 | | 161,188 | |
| <i>Total Technology Literacy Challenge Funds Cluster</i> | | | 166,996 | | 194,548 | |
| Title II-A Improving Teacher Quality State Grants | TRS110 | 84.367 | 23,102 | | 16,483 | |
| Title II-A Improving Teacher Quality State Grants | TRS111 | 84.367 | 93,766 | | 91,595 | |
| <i>Total Title II-A Improving Teacher Quality State Grants</i> | | | 116,868 | | 108,078 | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants | N/A | 84.394 | 456,002 | | 406,421 | |
| Education Jobs Fund | N/A | 84.410 | 24,400 | | 1,460 | |
| <i>Total U.S. Department of Education</i> | | | 1,413,032 | | 1,432,187 | |
| <u>Appalachian Regional Commission</u> | | | | | | |
| <i>(Direct from the Appalachian Regional Commission)</i> | | | | | | |
| Appalachian Research, Technical Assistance, and Demonstration Projects | N/A | 23.011 | 4,500 | | 2,160 | |
| <i>Total Federal Agency</i> | | | 4,500 | | 2,160 | |
| Total | | | \$1,820,977 | \$33,554 | \$1,837,792 | \$33,554 |

See Accompanying Notes to the Federal Awards Receipts and Expenditures Schedule.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION DISTRIBUTION

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major General Fund, and the aggregate remaining fund information of the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2011-001 and 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 4, 2012.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

January 4, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Newcomerstown Exempted Village School District, Tuscarawas County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Newcomerstown Exempted Village School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Newcomerstown Exempted Village School District, Tuscarawas County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 4, 2012.

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

January 4, 2012

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Special Education Cluster CFDA #84..027 and 84.391 Technology Literacy Challenge Grants Cluster CFDA #84.318 and 84.386 State Fiscal Stabilization Fund CFDA #84.394 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

1. Ohio Rev. Code Section 5705.10 (H)

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-001 |
|-----------------------|----------|

NONCOMPLIANCE

Ohio Rev. Code Section 5705.10 (H) requires that monies paid into any fund be used only for the purposes for which such fund is established. The District had negative cash fund balances at year end in the Food Service Fund and Vernon & Edith Lee Trust Fund in the amount of \$369,079 and \$10,566, respectively. As a result, to compensate for these negative cash fund balances other sources were used to pay obligations of these funds.

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

Official's Response: The client has elected not to respond.

2. Ohio Rev. Code Section 5705.41(B)

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-002 |
|-----------------------|----------|

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. At June 30, 2011, fund level expenditures exceeded appropriations within the Food Service Fund by \$353,872.

The Treasurer should frequently compare actual expenditures to appropriations at the fund level to avoid overspending. This will help strengthen the District's ability to effectively monitor actual expenditures versus appropriations.

Official's Response: The client has elected not to respond.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|---|
| 2010-001 | Ohio Rev. Code Section 5705.10(H), the district had a negative fund balance in the Food Service Fund. | No | Not Corrected. See Finding 2011-001. |
| 2010-002 | Ohio Rev. Code Section 5705.41(B), the fund level expenditures exceeded appropriations within the Food Service Fund. | No | Not Corrected. See Finding 2011-002. |

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Newcomerstown Exempted Village School District, Tuscarawas County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 13, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 4, 2012

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Dave Yost • Auditor of State

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 2, 2012**