



Dave Yost • Auditor of State

**NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2017 AND 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Basic Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2017.....	3
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2017.....	4
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – June 30, 2017.....	5
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds – For the Fiscal Year Ended June 30, 2017.....	6
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual – General Fund - For the Fiscal Year Ended June 30, 2017	7
Statement of Fiduciary Assets and Liabilities – Cash Basis – Fiduciary Funds – June 30, 2017	8
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2017	9
Basic Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2016.....	35
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2016.....	36
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – June 30, 2016.....	37
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds – For the Fiscal Year Ended June 30, 2016.....	38
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual – General Fund - For the Fiscal Year Ended June 30, 2016	39
Statement of Fiduciary Assets and Liabilities – Cash Basis – Fiduciary Funds – June 30, 2016	40
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2016	41

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2017 AND 2016

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	67
Schedule of Findings.....	69
Prepared by Management:	
Summary Schedule of Prior Audit Findings	71



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, Ohio (the District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, Ohio, as of June 30, 2017 and 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 18, 2018

Newton Local School District
Miami County, Ohio
Statement of Net Position - Cash Basis
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,869,029</u>
<i>Total Assets</i>	<u><u>\$3,869,029</u></u>
Net Position	
Restricted for:	
Debt Service	\$711,130
Capital Outlay	344,990
Other Purposes	168,545
Unrestricted	<u>2,644,364</u>
<i>Total Net Position</i>	<u><u>\$3,869,029</u></u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2017

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions, and Interest	Receipts and Changes in Net Position
Governmental Activities					
Instruction:					
Regular	\$3,232,626	\$701,742	\$58,468	\$0	(\$2,472,416)
Special	557,264	16,837	284,167	0	(256,260)
Vocational	910	0	8,683	0	7,773
Student Intervention Services	150,670	0	0	0	(150,670)
Support Services:					
Pupil	214,957	0	39,352	0	(175,605)
Instructional Staff	192,510	0	0	0	(192,510)
Board of Education	2,034	0	0	0	(2,034)
Administration	830,017	21,376	0	0	(808,641)
Fiscal	211,914	0	3,600	0	(208,314)
Operation and Maintenance of Plant	602,187	0	0	0	(602,187)
Pupil Transportation	362,553	0	0	0	(362,553)
Central	9,653	0	0	0	(9,653)
Operation of Non-Instructional Services	276,385	138,663	68,360	0	(69,362)
Extracurricular Activities	537,645	82,169	0	0	(455,476)
Capital Outlay	16,760	0	0	2,282	(14,478)
Debt Service:					
Principal	228,102	0	0	0	(228,102)
Interest	126,863	0	0	0	(126,863)
Bond Issuance Costs	123,369	0	0	0	(123,369)
Payment to Refunding Bond Escrow Agent	5,490,748	0	0	0	(5,490,748)
Totals	13,167,167	960,787	462,630	2,282	(11,741,468)
General Receipts					
Property Taxes Levied for:					
General Purposes					1,348,977
Debt Service					385,256
Capital Outlay					75,493
Classroom Maintenance					28,303
Income Taxes Levied for General Purposes					1,447,865
Grants and Entitlements not Restricted to Specific Programs					3,187,946
Gifts and Donations not Restricted to Specific Programs					20,035
Refunding Bonds Issued					5,209,997
Premium on Bonds Issued					404,120
Interest					23,002
Miscellaneous					24,174
Total General Receipts					12,155,168
Change in Net Position					413,700
Net Position Beginning of Year					3,455,329
Net Position End of Year					\$3,869,029

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
As of June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,644,364	\$711,130	\$513,535	\$3,869,029
<i>Total Assets</i>	<u>\$2,644,364</u>	<u>\$711,130</u>	<u>\$513,535</u>	<u>\$3,869,029</u>
Fund Balances				
Restricted	0	711,130	513,535	1,224,665
Assigned	231,823	0	0	231,823
Unassigned	2,412,541	0	0	2,412,541
<i>Total Fund Balances</i>	<u>2,644,364</u>	<u>711,130</u>	<u>513,535</u>	<u>3,869,029</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,644,364</u>	<u>\$711,130</u>	<u>\$513,535</u>	<u>\$3,869,029</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,348,977	\$385,256	\$103,796	\$1,838,029
Income Tax	1,447,865	0	0	1,447,865
Intergovernmental	3,269,561	61,978	319,037	3,650,576
Interest	23,002	0	2,282	25,284
Tuition and Fees	718,579	0	0	718,579
Extracurricular Activities	21,376	0	82,169	103,545
Contributions and Donations	0	0	20,035	20,035
Customer Sales and Services	0	0	137,849	137,849
Rent	1,146	0	0	1,146
Miscellaneous	10,312	0	13,530	23,842
<i>Total Receipts</i>	<u>6,840,818</u>	<u>447,234</u>	<u>678,698</u>	<u>7,966,750</u>
Disbursements				
Current:				
Instruction:				
Regular	3,156,022	0	76,604	3,232,626
Special	436,924	0	120,340	557,264
Vocational	910	0	0	910
Student Intervention Services	150,670	0	0	150,670
Support Services:				
Pupil	175,605	0	39,352	214,957
Instructional Staff	192,510	0	0	192,510
Board of Education	2,034	0	0	2,034
Administration	830,017	0	0	830,017
Fiscal	200,226	6,361	5,327	211,914
Operation and Maintenance of Plant	512,818	0	89,369	602,187
Pupil Transportation	362,553	0	0	362,553
Central	0	0	9,653	9,653
Operation of Non-Instructional Services	32,901	0	243,484	276,385
Extracurricular Activities	411,840	0	125,805	537,645
Capital Outlay	0	0	16,760	16,760
Debt Service:				
Principal	0	185,000	43,102	228,102
Interest	0	122,987	3,876	126,863
Bond Issuance Costs	0	123,369	0	123,369
<i>Total Disbursements</i>	<u>6,465,030</u>	<u>437,717</u>	<u>773,672</u>	<u>7,676,419</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	375,788	9,517	(94,974)	290,331
Other Financing Sources and Uses				
Refunding Bonds Issued	0	5,209,997	0	5,209,997
Premium on Bonds Issued	0	404,120	0	404,120
Payment to Refunding Bond Escrow Agent	0	(5,490,748)	0	(5,490,748)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>123,369</u>	<u>0</u>	<u>123,369</u>
<i>Net Change in Fund Balances</i>	375,788	132,886	(94,974)	413,700
<i>Fund Balances Beginning of Year</i>	<u>2,268,576</u>	<u>578,244</u>	<u>608,509</u>	<u>3,455,329</u>
<i>Fund Balances End of Year</i>	<u>\$2,644,364</u>	<u>\$711,130</u>	<u>\$513,535</u>	<u>\$3,869,029</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,303,312	\$1,348,977	\$1,348,977	\$0
Income Taxes	1,360,000	1,447,865	1,447,865	0
Intergovernmental	3,145,803	3,269,561	3,269,561	0
Tuition and Fees	745,000	695,315	695,315	0
Interest	7,000	23,002	23,002	0
Rent	500	1,146	1,146	0
Miscellaneous	3,300	10,312	10,312	0
<i>Total Receipts</i>	<u>6,564,915</u>	<u>6,796,178</u>	<u>6,796,178</u>	<u>0</u>
Disbursements				
Current:				
Instruction:				
Regular	3,001,050	3,129,955	3,129,955	0
Special	400,000	436,924	436,924	0
Vocational	1,000	910	910	0
Student Intervention Services	165,000	150,670	150,670	0
Support Services:				
Pupil	165,000	175,605	175,605	0
Instructional Staff	278,203	196,335	195,154	1,181
Board of Education	4,500	2,034	2,034	0
Administration	700,000	809,591	809,591	0
Fiscal	252,000	199,890	199,890	0
Operation and Maintenance of Plant	509,209	545,194	545,194	0
Pupil Transportation	375,060	445,348	445,348	0
Operational of Non-Instructional Services	0	32,901	32,901	0
Extracurricular Activities	428,820	423,540	423,540	0
<i>Total Disbursements</i>	<u>6,279,842</u>	<u>6,548,897</u>	<u>6,547,716</u>	<u>1,181</u>
<i>Excess of Receipts Over Disbursements</i>	285,073	247,281	248,462	1,181
<i>Fund Balance Beginning of Year</i>	2,076,824	2,076,824	2,076,824	0
Prior Year Encumbrances Appropriated	174,342	174,342	174,342	0
<i>Fund Balance End of Year</i>	<u>\$2,536,239</u>	<u>\$2,498,447</u>	<u>\$2,499,628</u>	<u>\$1,181</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio

Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
June 30, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$41,123</u>
Liabilities	
Due to Students	<u>\$41,123</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Reporting Entity

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

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

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

Jointly Governed Organizations:

Metropolitan Educational Technology Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

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

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

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

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

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

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

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

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

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

E. Cash, Cash Equivalents and Investments

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

The District values investments and cash equivalents at cost.

The District invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2017.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2017.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipted into the General Fund during fiscal year 2017 was \$23,002 including \$7,693 assigned from other District funds.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Compensated Absences

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

I. Fund Balance

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

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.

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

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

J. Net Position

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

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

K. Interfund Activity

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

L. Long-Term Debt

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made.

M. Intergovernmental Receipts

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

N. Program Receipts

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Pension

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2017, the School District has implemented GASB Statement No. 77, “Tax Abatement Disclosures.” This statement requires disclosure of tax abatement information about a reporting government’s own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government’s tax revenues. This statement only affects note disclosure; therefore, the implementation of GASB Statement No. 77 had no impact on fund balance or net position as previously reported at June 30, 2016.

NOTE 4 – COMPLIANCE

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

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

A. Deposits

At June 30, 2017, the carrying amount of the District’s deposits was \$562,556 and the bank balance was \$626,384. Based on the criteria described in GASB Statement No. 40 “Deposit and Investment Risk Disclosures,” as of June 30, 2017, \$273,784 of the District’s bank balance of \$626,384 was exposed to custodial credit risk, while \$352,600 was covered by the FDIC.

B. Investments

As of June 30, 2017, the District had \$3,347,596 invested in STAR Ohio.

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

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. At June 30, 2017, 100% of the District’s investments were in STAR Ohio.

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

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

	<u>Cash and Cash</u>
	<u>Equivalents/Deposits</u>
GASB Statement No. 9	\$3,910,152
Investments:	
STAR Ohio	<u>(3,347,596)</u>
GASB Statement No. 3	<u><u>\$562,556</u></u>

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Darke and Miami County. The County Auditor periodically advances to the District its portion of the taxes collected. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$72,140,860	97.67%	\$77,054,940	97.67%
Public Utility – Personal	1,723,550	2.33	1,836,680	2.33
Total Assessed Value	\$73,864,410	100.00%	\$78,891,620	100.00%
Tax rate per \$1,000 of assessed valuation	\$51.78		\$48.12	

NOTE 7 - INCOME TAX

The District levies a voted tax of one and three quarter percent for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts credited to the General Fund for fiscal year 2017 were \$1,447,865.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 8 – RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017 the District contracted for property, crime, general liability, automobile, violence, cyber, and pollution insurance with the Ohio School Plan through Stolly Insurance Group.

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

B. Workers' Compensation

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

C. Medical Benefits

For fiscal year 2017, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 14). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 9 – DEFINED PENSION PLANS (continued)

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

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 9 – DEFINED PENSION PLANS (continued)

The District's contractually required contribution to SERS was \$131,438 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 9 – DEFINED PENSION PLANS (continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2016 to reach the statutory maximum amount of 14 percent. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$376,466 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,874,818	\$8,277,076	\$10,151,894
Proportion of the Net Pension Liability	0.0256155%	0.02472761%	

Actuarial Assumptions - SERS

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

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

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 9 – DEFINED PENSION PLANS (continued)

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 9 – DEFINED PENSION PLANS (continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes in Assumptions during Period The following changes in actuarial assumptions were made during the June 30, 2016 actuarial valuation period: The discount rate was reduced from 7.75% to 7.50%. Assumed rate of inflation was reduced from 3.25% to 3.50%. Payroll growth assumption was reduced from 4.00% to 3.50%. Assumed real wage growth was reduced from 0.75% to 0.50%. Rates of withdrawal, retirement and disability were updated to reflect recent experience. Mortality among active members was updated to use RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members and beneficiaries was updated to use RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates. Mortality among disabled members was updated to use RP-2000 Disability Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back period after disability retirement.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$2,482,143	\$1,874,818	\$1,366,463

Actuarial Assumptions - STRS

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 9 – DEFINED PENSION PLANS (continued)

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 9 – DEFINED PENSION PLANS (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$10,999,562	\$8,277,076	\$5,980,499

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 20, 2017. The most significant change is a reduction in the discount rate from 7.75% to 7.45%. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall change in the District' net pension liability is expected to be significant.

NOTE 10 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, 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 administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$11,574.

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$11,574, \$11,977, and \$18,679 respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

State Teachers Retirement System of Ohio

Plan Description – The District contributes to the cost-sharing multiple-employer defined benefit Health 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 can be obtained by visiting www.strsoh.org 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. STRS Ohio did not allocate any of the employer contributions to the Health Care Stabilization Fund for the fiscal years ended June 30, 2017, 2016, and 2015.

NOTE 11 – BUDGETARY BASIS OF ACCOUNTING

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 11 – BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the year ended June 30, 2017:

General Fund – FY 2017	
<u>Net Change in Fund Balance</u>	
Cash Basis	\$375,788
Encumbrances	(132,480)
Perspective Difference	5,154
Budget Basis	<u>\$248,462</u>

NOTE 12 – LONG-TERM OBLIGATIONS

The changes in the District’s long-term obligations during fiscal year 2017 were as follows:

	Principal Outstanding 6/30/16	Additions	Reductions	Principal Outstanding 6/30/17	Amounts Due in One Year
General Obligations:					
2008 School Facilities Construction and Advanced Refunding Current Interest Bonds	\$5,585,000	\$0	(\$5,395,000)	\$190,000	\$190,000
2016 School Facilities Construction and Advanced Refunding Bonds:					
Serial Current Interest Bonds		2,780,000	0	2,780,000	5,000
Term Current Interest Bonds		1,800,000	0	1,800,000	00
Capital Appreciation Bonds		629,997	0	629,997	0
Tax anticipation note	87,161	0	(43,102)	44,059	44,059
Total General Obligations	\$5,672,161	\$5,209,997	(\$5,438,102)	\$5,444,056	\$239,059

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

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

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 12 – LONG-TERM OBLIGATIONS (continued)

Interest payments on the current interest bonds are due on July 15 and January 15 of each year. The final maturity stated in the issue is January 15, 2036. Payments of principal and interest are recorded as expenditures of the debt service fund. The reacquisition price exceeded the net carrying amount of the old debt by \$47,373.

During fiscal year 2017, the District advance refunded the callable portion of the 2008 School Facilities Construction and Advanced Refunding Bonds in the amount of \$5,395,000. The remaining balance of \$190,000 matures January 15, 2018.

2016 School Facilities Construction and Advance Refunding Bonds: On October 18, 2016, the District issued general obligation bonds to advance refund the callable portion of the 2008 School Facilities Construction and Advanced Refunding Bonds. This refunded debt is considered defeased (in-substance).

The Series 2016 is comprised of both current interest bonds (serial and term), par value, \$4,580,000, and capital appreciation bonds par value \$629,997. The interest rates on the current interest bonds range from 2.00% - 4.00%.

The capital appreciation bonds mature on January 15, 2021 (stated interest rate 14.098%), January 15, 2022 (stated interest rate 17.122%), and January 15, 2023 (stated interest rate 20.038%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing January 15, 2021 will be \$250,000, January 15, 2022 will be \$255,000, and January 15, 2023 will be \$255,000.

Interest payments on the current interest bonds are due on July 15 and January 15 of each year. The final maturity stated in the issue is January 15, 2036. Payments of principal and interest are recorded as expenditures of the debt service fund. The reacquisition price exceeded the net carrying amount of the old debt by \$280,748.

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

Principal and interest requirements to retire the long-term obligations at June 30, 2017 are as follows:

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 12 – LONG-TERM OBLIGATIONS (continued)

Fiscal Year Ending June 30,	Capital Appreciation and Current Interest School Improvement and Refunding Bonds			Tax Anticipation Notes		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$195,000	\$407,963	\$602,963	\$44,059	\$1,952	\$46,011
2019	245,000	148,400	393,400	0	0	0
2020	250,000	143,500	393,500	0	0	0
2021	214,755	173,745	388,500	0	0	0
2022	211,339	182,161	393,500	0	0	0
2023-2027	1,268,903	696,647	1,965,550	0	0	0
2028-2032	1,550,000	424,950	1,974,950	0	0	0
2033-2036	1,465,000	115,100	1,580,100	0	0	0
Total	<u>\$5,399,997</u>	<u>\$2,292,466</u>	<u>\$7,692,463</u>	<u>\$44,059</u>	<u>\$1,952</u>	<u>\$46,011</u>

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property tax valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530, which became effective March 20, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. At June 30, 2017, the District’s voted debt margin was \$2,411,379 and the unvoted debt margin was \$78,892.

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Associations Solutions (META)

The District was a participant in the Metropolitan Educational Technology Association Solutions (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client’s needs.

The governing board of META consists of a president, vice-president, and six board members who represent the members of META. The Board works with META’s chief executive officer, chief operating officer, and chief financial officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each school district’s degree of control is limited to its representation on the Board. The District paid META \$24,810 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Southwestern Ohio Educational Purchasing Council

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The District was not required to pay a membership fee to the in fiscal year 2017. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

C. Southwestern Ohio Instructional Technology Association

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

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives

per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The District paid SOITA \$810 during fiscal year 2017. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Gary Greenberg, who serves as Executive Director, 1205 East Fifth Street, Dayton, Ohio 45402.

NOTE 14- INSURANCE PURCHASING POOL

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

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 15 - SET-ASIDE CALCULATIONS

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

The following information describes the change in the fiscal year-end 2017 set-aside amounts for capital improvements.

Set-Aside Balance as of June 30, 2016	\$	0
Current Year Required Set-aside		105,096
Current Year Offsets		(103,796)
Current Year Qualifying Expenditures		<u>(1,300)</u>
Set-Aside Balance as of June 30, 2017	\$	<u>0</u>

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

NOTE 16 – CONTINGENCIES

The District receives financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. ODE has finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District and the financial statement impact was not significant.

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 17 – FUND BALANCE

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

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2017 were as follows:

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Classroom Facilities	\$0	\$0	\$317,178	\$317,178
Debt Retirement	0	711,130	0	711,130
Capital Improvements	0	0	21,072	21,072
Building Fund	0	0	6,740	6,740
Classroom Facilities				
Maintenance	0	0	35,473	35,473
Student Awards	0	0	39,287	39,287
Food Service Operations	0	0	75,627	75,627
Athletics	0	0	18,158	18,158
Total Restricted	<u>0</u>	<u>711,130</u>	<u>513,535</u>	<u>1,224,665</u>
Assigned for:				
FY 18 appropriations in excess of estimated receipts	87,054	0	0	87,054
Unpaid Obligations	132,480	0	0	132,480
School Supplies	93	0	0	93
Public School Support	12,196	0	0	12,196
Total Assigned	<u>231,823</u>	<u>0</u>	<u>0</u>	<u>231,823</u>
Unassigned	<u>2,412,541</u>	<u>0</u>	<u>0</u>	<u>2,412,541</u>
Total Fund Balance	<u><u>\$2,644,364</u></u>	<u><u>\$711,130</u></u>	<u><u>\$ 513,535</u></u>	<u><u>\$3,869,029</u></u>

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. The District's commitments for encumbrances in the governmental funds at June 30, 2017 were as follows:

Fund Type	June 30, 2017 Encumbrances
General Fund	\$132,480
Other Governmental	19,332
Totals	<u><u>\$151,812</u></u>

This page intentionally left blank.

Newton Local School District
Miami County, Ohio
Statement of Net Position - Cash Basis
June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,455,329
<i>Total Assets</i>	\$3,455,329
 Net Position	
Restricted for:	
Debt Service	\$578,244
Capital Outlay	412,898
Other Purposes	195,611
Unrestricted	2,268,576
<i>Total Net Position</i>	\$3,455,329

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2016

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, Contributions, and Interest	Receipts and Changes in Net Position
Governmental Activities					
Instruction:					
Regular	\$2,984,494	\$694,410	\$62,190	\$0	(\$2,227,894)
Special	473,350	171,395	92,817	0	(209,138)
Vocational	790	0	1,752	0	962
Student Intervention Services	157,974	0	0	0	(157,974)
Support Services:					
Pupil	210,482	0	63,293	0	(147,189)
Instructional Staff	125,522	0	0	0	(125,522)
Board of Education	4,506	0	0	0	(4,506)
Administration	696,414	21,300	0	0	(675,114)
Fiscal	247,113	0	3,600	0	(243,513)
Operation and Maintenance of Plant	513,134	0	0	0	(513,134)
Pupil Transportation	336,403	0	0	0	(336,403)
Central	6,758	0	0	0	(6,758)
Operation of Non-Instructional Services	229,091	135,942	74,882	0	(18,267)
Extracurricular Activities	1,153,474	91,703	0	0	(1,061,771)
Capital Outlay	8,420	0	0	826	(7,594)
Debt Service:					
Principal	407,168	0	0	0	(407,168)
Interest	251,304	0	0	0	(251,304)
Totals	7,806,397	1,114,750	298,534	826	(6,392,287)
General Receipts					
Property Taxes Levied for:					
General Purposes					1,327,773
Debt Service					486,135
Capital Outlay					76,913
Classroom Maintenance					28,826
Income Taxes Levied for General Purposes					1,348,860
Grants and Entitlements not Restricted to Specific Programs					3,126,476
Gifts and Donations not Restricted to Specific Programs					10,039
Interest					7,486
Miscellaneous					13,036
<i>Total General Receipts</i>					<u>6,425,544</u>
Change in Net Position					33,257
<i>Net Position Beginning of Year</i>					<u>3,422,072</u>
<i>Net Position End of Year</i>					<u><u>\$3,455,329</u></u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
As of June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,268,576	\$578,244	\$608,509	\$3,455,329
<i>Total Assets</i>	<u>\$2,268,576</u>	<u>\$578,244</u>	<u>\$608,509</u>	<u>\$3,455,329</u>
Fund Balances				
Restricted	0	578,244	608,509	1,186,753
Assigned	191,785	0	0	191,785
Unassigned	2,076,791	0	0	2,076,791
<i>Total Fund Balances</i>	<u>2,268,576</u>	<u>578,244</u>	<u>608,509</u>	<u>3,455,329</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,268,576</u>	<u>\$578,244</u>	<u>\$608,509</u>	<u>\$3,455,329</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,327,773	\$486,135	\$105,739	\$1,919,647
Income Tax	1,348,860	0	0	1,348,860
Intergovernmental	3,021,086	78,129	325,795	3,425,010
Interest	7,486	0	826	8,312
Tuition and Fees	736,873	0	0	736,873
Extracurricular Activities	21,300	0	91,703	113,003
Contributions and Donations	0	0	10,039	10,039
Customer Sales and Services	0	0	132,757	132,757
Rent	850	0	0	850
Miscellaneous	132,515	0	11,788	144,303
<i>Total Receipts</i>	<u>6,596,743</u>	<u>564,264</u>	<u>678,647</u>	<u>7,839,654</u>
Disbursements				
Current:				
Instruction:				
Regular	2,916,853	0	67,641	2,984,494
Special	380,413	0	92,937	473,350
Vocational	790	0	0	790
Student Intervention Services	157,974	0	0	157,974
Support Services:				
Pupil	147,307	0	63,175	210,482
Instructional Staff	125,522	0	0	125,522
Board of Education	4,506	0	0	4,506
Administration	694,314	0	2,100	696,414
Fiscal	234,437	7,410	5,266	247,113
Operation and Maintenance of Plant	442,114	0	71,020	513,134
Pupil Transportation	336,403	0	0	336,403
Central	0	0	6,758	6,758
Operation of Non-Instructional Services	26,725	0	202,366	229,091
Extracurricular Activities	1,044,479	0	108,995	1,153,474
Capital Outlay	0	0	8,420	8,420
Debt Service:				
Principal	0	365,000	42,168	407,168
Interest	0	245,575	5,729	251,304
<i>Total Disbursements</i>	<u>6,511,837</u>	<u>617,985</u>	<u>676,575</u>	<u>7,806,397</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	84,906	(53,721)	2,072	33,257
<i>Fund Balances Beginning of Year</i>	<u>2,183,670</u>	<u>631,965</u>	<u>606,437</u>	<u>3,422,072</u>
<i>Fund Balances End of Year</i>	<u>\$2,268,576</u>	<u>\$578,244</u>	<u>\$608,509</u>	<u>\$3,455,329</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio
Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,291,954	\$1,327,773	\$1,327,773	\$0
Income Taxes	1,385,000	1,348,860	1,348,860	0
Intergovernmental	2,355,154	3,021,086	3,021,086	0
Tuition and Fees	692,000	715,948	715,948	0
Interest	2,300	7,486	7,486	0
Gifts and Donations	2,000	850	850	0
Rent	10,000	0	0	0
Miscellaneous	30,000	132,515	132,515	0
<i>Total Receipts</i>	<u>5,768,408</u>	<u>6,554,518</u>	<u>6,554,518</u>	<u>0</u>
Disbursements				
Current:				
Instruction:				
Regular	3,307,102	2,890,850	2,890,850	0
Special	352,000	380,413	380,413	0
Vocational	1,200	790	790	0
Student Intervention Services	180,000	157,974	157,974	0
Support Services:				
Pupil	86,000	147,307	147,307	0
Instructional Staff	16,352	258,725	258,725	0
Board of Education	1,000	4,506	4,506	0
Administration	715,000	674,278	674,278	0
Fiscal	195,000	234,070	234,070	0
Operation and Maintenance of Plant	537,707	451,323	451,323	0
Pupil Transportation	250,000	336,463	336,463	0
Operational of Non-Instructional Services	30,000	26,725	26,725	0
Extracurricular Activities	774,000	1,075,299	1,075,299	0
<i>Total Disbursements</i>	<u>6,445,361</u>	<u>6,638,723</u>	<u>6,638,723</u>	<u>0</u>
<i>Excess of Receipts Under Disbursements</i>	(676,953)	(84,205)	(84,205)	0
<i>Fund Balance Beginning of Year</i>	2,120,862	2,120,862	2,120,862	0
Prior Year Encumbrances Appropriated	40,161	40,161	40,161	0
<i>Fund Balance End of Year</i>	<u>\$1,484,070</u>	<u>\$2,076,818</u>	<u>\$2,076,818</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio

Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
June 30, 2016

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$37,210</u>
Liabilities	
Due to Students	<u>\$37,210</u>

See accompanying notes to the basic financial statements

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Reporting Entity

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

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

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

Jointly Governed Organizations:

Metropolitan Educational Technology Association Solutions (META Solutions)
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

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

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

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

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

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

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

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

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

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

E. Cash, Cash Equivalents and Investments

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

The District values investments and cash equivalents at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2016.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2016.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipted into the General Fund during fiscal year 2016 was \$7,486 including \$2,838 assigned from other District funds.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Compensated Absences

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

I. Fund Balance

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

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.

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

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

J. Net Position

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

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

K. Interfund Activity

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

L. Long-Term Debt

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made.

M. Intergovernmental Receipts

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

N. Program Receipts

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Pension

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2016, the School District has implemented GASB Statement No. 72, “Fair Value Measurement and Application.” This statement addresses accounting and financial reporting issues related to fair value measurements. The implementation of GASB Statement No. 72 had no impact on net position as previously reported at June 30, 2015.

NOTE 4 – COMPLIANCE

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

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

A. Deposits

At June 30, 2016, the carrying amount of the District’s deposits was \$441,239 and the bank balance was \$451,598. Based on the criteria described in GASB Statement No. 40 “Deposits and Investment Risk Disclosures,” as of June 30, 2016, \$99,732 of the District’s bank balance of \$451,598 was exposed to custodial credit risk, while \$351,866 was covered by the FDIC.

B. Investments

As of June 30, 2016, the District had \$3,051,300 invested in STAR Ohio.

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

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. At June 30, 2016, 100% of the District’s investments were in STAR Ohio.

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

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

	Cash and Cash <u>Equivalents/Deposits</u>
GASB Statement No. 9	\$3,492,539
Investments:	
STAR Ohio	<u>(3,051,300)</u>
GASB Statement No. 3	<u><u>\$441,239</u></u>

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Darke and Miami County. The County Auditor periodically advances to the District its portion of the taxes collected. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$71,701,990	97.70%	\$72,140,860	97.67%
Public Utility – Personal	1,684,340	2.30	1,723,550	2.33
Total Assessed Value	73,386,330	100.00%	73,864,410	100.00%
Tax rate per \$1,000 of assessed valuation	\$51.78		\$51.78	

NOTE 7 - INCOME TAX

The District levies a voted tax of one and three quarter percent for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts credited to the General Fund for fiscal year 2016 were \$1,348,860.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 – RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2016, the District contracted for property, crime, general liability, automobile, violence, cyber, and pollution insurance with the Ohio School Plan through Stolly Insurance Group.

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

B. Workers' Compensation

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

C. Medical Benefits

For fiscal year 2016, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 14). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

NOTE 9 – DEFINED PENSION PLANS

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 – DEFINED PENSION PLANS (continued)

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

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 – DEFINED PENSION PLANS (continued)

The District's contractually required contribution to SERS was \$119,705 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 – DEFINED PENSION PLANS (continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$355,545 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,453,600	\$6,640,642	\$8,094,242
Proportion of the Net Pension Liability	0.0254745%	0.02402802%	

Actuarial Assumptions - SERS

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 – DEFINED PENSION PLANS (continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 – DEFINED PENSION PLANS (continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$2,015,620	\$1,453,600	\$980,332

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.50 percent. Although the exact amount of these changes is not known, the impact to the District’s net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above. Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 – DEFINED PENSION PLANS (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$9,224,353	\$6,640,642	\$4,455,729

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, 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 administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2016, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$11,977.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$11,977, \$18,679, and \$12,646, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

State Teachers Retirement System of Ohio

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

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The District’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$27,357, respectively. The full amount has been contributed for all three fiscal years.

NOTE 11 – BUDGETARY BASIS OF ACCOUNTING

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

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

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the year ended June 30, 2016:

General Fund – FY 2016	
<u>Net Change in Fund Balance</u>	
Cash Basis	\$84,906
Encumbrances	(174,342)
Perspective Difference	5,231
Budget Basis	<u>(\$84,205)</u>

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 12 – LONG-TERM OBLIGATIONS

The changes in the District’s long-term obligations during fiscal year 2016 were as follows:

	Principal Outstanding 6/30/15	Additions	Reductions	Principal Outstanding 6/30/16	Amounts Due in One Year
General Obligations:					
2008 School Facilities Construction and Advanced Refunding Current Interest Bonds	\$5,950,000	\$0	(\$365,000)	\$5,585,000	\$185,000
Tax anticipation note	129,329	0	(42,168)	87,161	43,102
Total General Obligations	<u>\$6,079,329</u>	<u>\$0</u>	<u>(\$407,168)</u>	<u>\$5,672,161</u>	<u>\$228,102</u>

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

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

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

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

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

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 12 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the long-term obligations at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Current Interest			Tax Anticipation Notes		
	School Improvement and Refunding Bonds			Tax Anticipation Notes		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$185,000	\$230,975	\$415,975	\$43,102	\$3,861	\$46,963
2018	190,000	223,575	413,575	44,059	1,952	46,011
2019	200,000	215,975	415,975	0	0	0
2020	210,000	207,975	417,975	0	0	0
2021	215,000	199,575	414,575	0	0	0
2022-2026	1,225,000	860,556	2,085,556			
2027-2031	1,505,000	587,619	2,092,619	0	0	0
2032-2036	1,855,000	243,314	2,098,314	0	0	0
Total	<u>\$5,585,000</u>	<u>\$2,769,564</u>	<u>\$8,354,564</u>	<u>\$87,161</u>	<u>\$5,813</u>	<u>\$92,974</u>

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property tax valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530, which became effective March 20, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. At June 30, 2016, the District's voted debt margin was \$1,641,041 and the unvoted debt margin was \$73,864.

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Associations Solutions (META)

The District was a participant in the Metropolitan Educational Technology Association Solutions (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (continued)

The governing board of META consists of a president, vice-president, and six board members who represent the members of META. The Board works with META's chief executive officer, chief operating officer, and chief financial officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each school district's degree of control is limited to its representation on the Board. The District paid META \$19,335 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

B. Southwestern Ohio Educational Purchasing Council

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The District paid the SOEPC \$511 for membership fees in fiscal year 2016. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

C. Southwestern Ohio Instructional Technology Association

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The District did not make any payments to SOITA during fiscal year 2016. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Gary Greenberg, who serves as Executive Director, 1205 East Fifth Street, Franklin, Ohio 45402.

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 14- INSURANCE PURCHASING POOL

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

NOTE 15 - SET-ASIDE CALCULATIONS

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

The following information describes the change in the fiscal year-end 2016 set-aside amounts for capital improvements.

Set-Aside Balance as of June 30, 2015	\$	0
Current Year Required Set-aside		103,678
Current Year Offsets		(103,678)
 Total	 \$	 -
 Set-Aside Balance as of June 30, 2016	 \$	 <u>-</u>

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

NOTE 16 – CONTINGENCIES

The District receives financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

Newton Local School District
Miami County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 16 – CONTINGENCIES (continued)

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. ODE has finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District and the financial statement impact was not significant.

NOTE 17 – FUND BALANCE

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

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2016 were as follows:

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Classroom Facilities	\$0	\$0	\$314,896	\$314,896
Debt Retirement	0	578,244	0	578,244
Capital Improvements	0	0	91,262	91,262
Building Fund	0	0	6,740	6,740
Classroom Facilities				
Maintenance	0	0	20,724	20,724
Student Awards	0	0	41,628	41,628
Food Service Operations	0	0	105,584	105,584
Athletics	0	0	27,675	27,675
Total Restricted	<u>0</u>	<u>578,244</u>	<u>608,509</u>	<u>1,186,753</u>
Assigned for:				
Unpaid Obligations	174,342	0	0	174,342
School Supplies	6,197	0	0	6,197
Public School Support	11,246	0	0	11,246
Total Assigned	<u>191,785</u>	<u>0</u>	<u>0</u>	<u>191,785</u>
Unassigned	<u>2,076,791</u>	<u>0</u>	<u>0</u>	<u>2,076,791</u>
Total Fund Balance	<u>\$2,268,576</u>	<u>\$578,244</u>	<u>\$ 608,509</u>	<u>\$3,455,329</u>

Newton Local School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds at June 30, 2016 were as follows:

<u>Fund Type</u>	<u>June 30, 2016 Encumbrances</u>
General Fund	\$174,342
Other Governmental	7,358
Totals	<u>\$181,700</u>

This page intentionally left blank.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Local School District, Miami County, (the District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 18, 2018, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. . The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as finding 2017-001.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

May 18, 2018

NEWTON LOCAL SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2017 AND 2016

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

FINDING NUMBER 2017-001

NONCOMPLIANCE

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

Ohio Admin. Code § 117-2-03(B) requires, in part, all school districts to file annual financial reports which are prepared using generally accepted accounting principles.

The District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Officials' Response: We did not receive a response from officials to this finding.

FINDING NUMBER 2017-002

MATERIAL WEAKNESS – DEBT REFUNDING

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The District failed to record in its accounting system and financial statements all activity related to a debt refunding that occurred during fiscal year 2017. In addition, the fiscal year 2017 financial statements included a line item for premium on notes issued in the bond retirement fund and government type activities; however, there were no notes issued during the audit period. This line item related to the debt refunding and should have resulted in a reduction of interest expense on the fiscal year 2017 financial statements. As a result, the District's fiscal year 2017 financial statements contained the following errors that were material and required adjustment to the financial statements in the bond retirement fund and government type activities:

- Bond issuance costs were understated in the amount of \$123,369
- Payment to Refunding Bond Escrow Agent was understated in the amount of \$5,490,748
- Refunding bonds issued was understated in the amount of \$5,209,997
- Premium on bonds issued was understated in the amount of \$404,120
- Premium on sales of notes was overstated in the amount of \$107,988
- Interest expense was overstated in the amount of \$107,988

**FINDING NUMBER 2017-002
(CONTINUED)**

Failure to record debt refunding activity in the accounting records and financial statements could lead to misleading financial information and misstated financial statements.

Procedures should be established and implemented to verify that all accounting transactions, including debt refunding, are recorded in the accounting records and financial statements.

Officials' Response: We did not receive a response from officials to this finding.

NEWTON LOCAL SCHOOLS

201 N. Long Street, Pleasant Hill, OH 45359

STRIVING FOR EXCELLENCE



Superintendent

Pat McBride

Secretary:

Brenda Walker

Treasurer

Nick Hamilton

Asst. to the Treasurer:

Jodi Whittaker

Board Members

Nate Oburn, President

Tonya Schauer

Matt Downing

Lane Robbins

Lisa Hildebrand

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Revised Code § 117.38 and Ohio Admin. Code § 117-2-03(B) – The District did not file annual financial reports prepared in accordance with generally accepted accounting principles (GAAP).	Not Corrected	The District does not prepare financial statements in accordance with GAAP as a cost savings measure.

This page intentionally left blank.



Dave Yost • Auditor of State

NEWTON LOCAL SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 3, 2018**