

Mary Taylor, CPA
Auditor of State

**NEWBURY LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Newbury Local School District, Geauga County, Ohio, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Newbury Local School District, Geauga County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 29, 2008

Newbury Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2007
Unaudited

It is a privilege to present to you the financial picture of Newbury Local School District. The discussion and analysis of Newbury Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$466,780, which represents a 10.9% increase from 2006. Further analysis of this increase may be found on page five.
- Revenues for governmental activities totaled \$8,296,823 in 2007. Of this total, \$7,169,410 or 86.4% consisted of general revenues while program revenues accounted for the balance of \$1,127,413 or 13.6%.
- The School District had \$7,830,043 in expenses related to governmental activities; only \$1,127,413 of these expenses was offset by program specific charges for services, operating grants or contributions, and capital grants and contributions. General revenues (primarily taxes and school foundation) of \$7,169,410 helped to provide for these programs.
- Program expenses totaled \$7,830,043. Instructional expenses made up \$4,179,338 or 53.4% of this total while support services accounted for \$2,965,049 or 37.8%. Other expenses, \$685,656 rounded out the remaining 8.8%.
- Unrestricted net assets carried a balance of \$1,343,194, a increase of \$234,695 from the prior year's balance of \$1,108,499. This component of net assets is primarily related to the activity of the general fund.
- Total assets of governmental activities increased \$445,474, which represents a 4.5% increase from 2006.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

The analysis of the School District as a whole begins on page 5. While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?". The *Statement of Net Assets* and the *Statement of Activities* assist in answering these questions. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Assets* and the *Statement of Activities*, the School Districts' activities are considered to be all governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 11. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 compared to 2006:

Table 1		
Net Assets		
Governmental Activities		
	<u>2007</u>	<u>2006</u>
Assets		
Current and other assets	\$ 6,821,008	\$ 6,537,540
Capital assets, net of depreciation	<u>3,441,207</u>	<u>3,279,201</u>
Total assets	<u>10,262,215</u>	<u>9,816,741</u>
Liabilities		
Other liabilities	4,947,525	4,896,035
Long-term liabilities:		
Due within one year	128,270	157,661
Due in more than one year	<u>419,861</u>	<u>463,266</u>
Total liabilities	<u>5,495,656</u>	<u>5,516,962</u>
Net Assets		
Invested in capital assets, net of debt	3,288,167	3,055,904
Restricted for:		
Capital projects	71,071	46,461
Debt service	433	-
Set asides	31,149	31,149
Other purposes	32,545	57,766
Unrestricted	<u>1,343,194</u>	<u>1,108,499</u>
Total net assets	<u>\$ 4,766,559</u>	<u>\$ 4,299,779</u>

Newbury Local School District
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Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the School District's assets exceeded liabilities by \$4,766,559.

Capital assets, net of related debt reported on the government-wide statements represents a large component of net assets. Capital assets include land and land improvements, buildings, furniture and equipment, and vehicles, which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$135,198, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$71,071 is restricted for capital projects, \$433 is restricted for debt service payments, \$32,545 is restricted for other purposes and \$31,149 is restricted for set asides. Restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for resources restricted for the operation of the School District's recreation center.

The vast majority of revenues supporting governmental activities were general revenues. General revenue totaled \$7,169,410 or 86.4% of total revenue. The most significant portion of the general revenue is property taxes which is 60.6% of total revenue and intergovernmental grants and entitlements revenue (consisting of state foundation, homestead and rollback, and personal property tax exemption) which is 23.7% of total revenue. Investment earnings and miscellaneous revenue account for 2.1% of total revenue. The remaining amount of revenue received was in the form of program revenues, which equated \$1,127,413 or only 13.6% of total revenue.

Table 2 shows the changes in net assets for fiscal years 2007 and 2006.

Newbury Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2007
Unaudited

Table 2
Governmental Activities

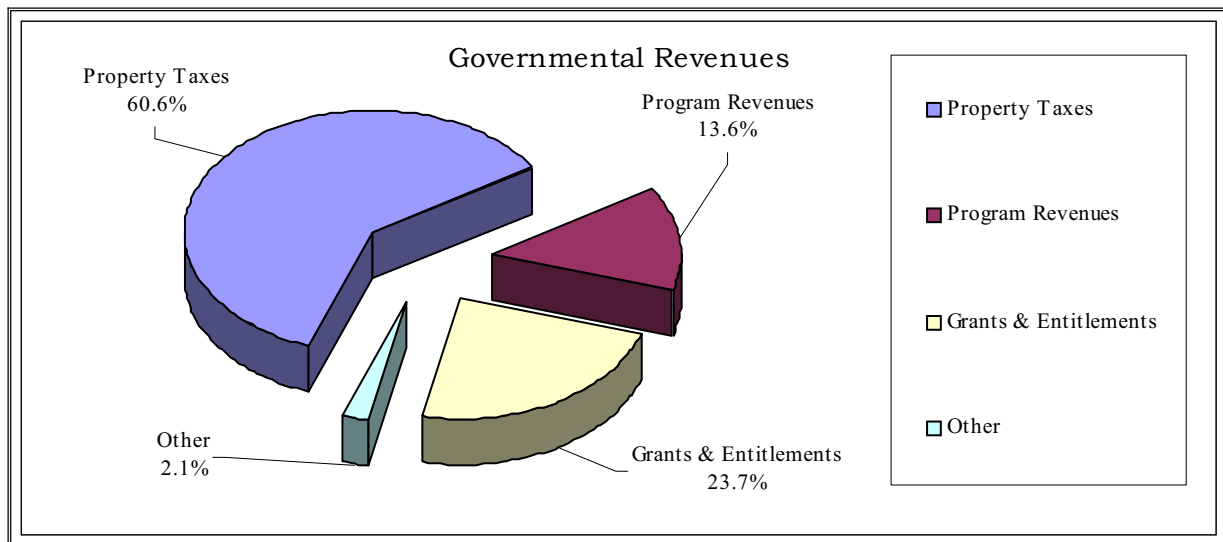
	2007	2006
Program Revenues		
Charges for services	\$ 489,397	\$ 476,743
Operating grants and contributions	630,344	548,593
Capital grants and contributions	<u>7,672</u>	<u>4,672</u>
Total program revenues	<u>1,127,413</u>	<u>1,030,008</u>
General Revenues		
Property taxes	5,029,524	4,157,753
Grants and entitlements	1,964,652	1,875,813
Contributions to permanent fund		
Investment earnings	106,006	85,486
Contributions and donations		
Miscellaneous	<u>69,228</u>	<u>79,517</u>
Total general revenues	<u>7,169,410</u>	<u>6,198,569</u>
Total revenues	<u>8,296,823</u>	<u>7,228,577</u>
Program Expenses		
Instruction:		
Regular	3,483,865	3,644,167
Special	626,379	738,817
Vocational	55,159	36,455
Other	13,935	13,935
Support services:		
Pupils	425,600	365,395
Instructional staff	198,376	153,887
Board of education	75,389	64,246
Administration	586,479	548,657
Fiscal	275,834	267,269
Operation and maintenance of plant	718,989	645,645
Pupil transportation	583,306	568,081
Central	101,076	59,554
Operation non-instructional services	356,909	326,623
Extracurricular activities	315,859	304,141
Interest and fiscal charges	<u>12,888</u>	<u>15,613</u>
<i>Total Program Expenses</i>	<u>7,830,043</u>	<u>7,752,485</u>
Change in net assets	466,780	(523,908)
Net assets beginning of year	<u>4,299,779</u>	<u>4,823,687</u>
<i>Net Assets End of Year</i>	<u>\$ 4,766,559</u>	<u>\$ 4,299,779</u>

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Expenses increased \$77,558 or 1% in 2007 as compared to 2006. This was mainly due to a net increase of \$292,315 in expenses related to support services. This increase was primarily due to an increase of costs associated with the increase of staff to provide for the pupils. During the same period, revenues increased significantly by \$1,068,246 or 14.8%. This increase was due to a decrease in uncollected property tax revenue.

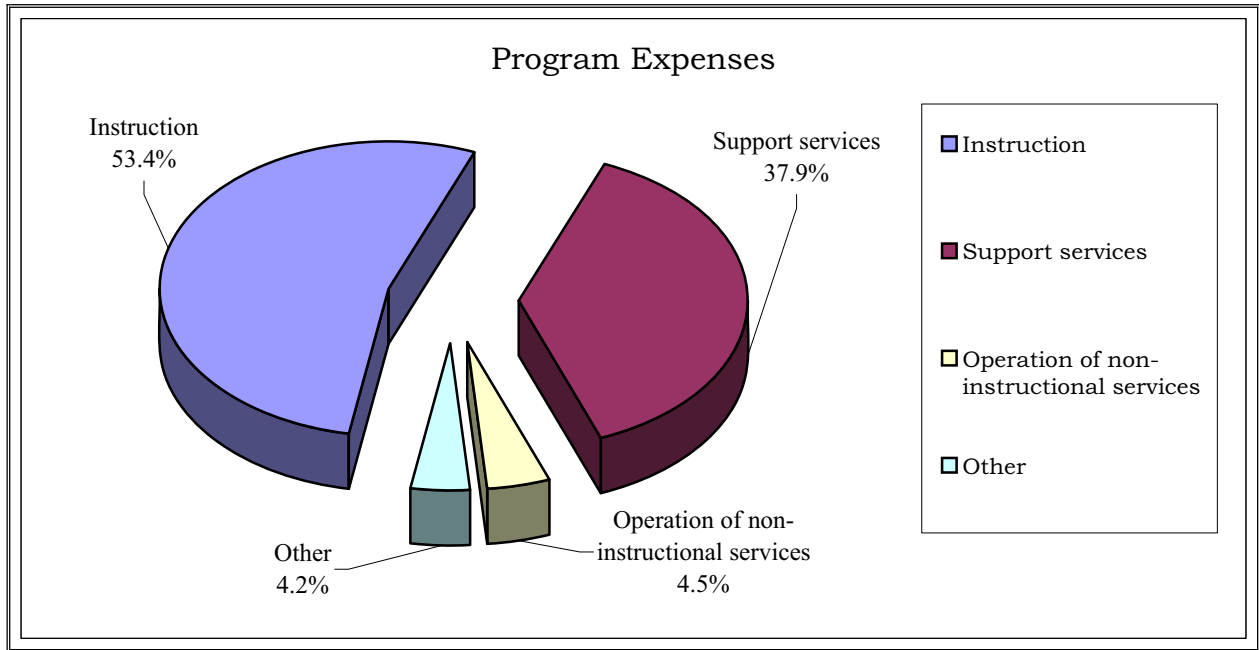
Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 60.6% of revenues for governmental activities for the School District in fiscal year 2007. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.



Instruction comprises 53.4% of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 37.9%. The remaining 8.7% of program expenses is used for other obligations of the School District such as operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Newbury Local School District
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The Statement of Activities shows the cost of program services and the charges for services and operating and capital grants and contributions offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Newbury Local School District
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Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2007</u>	Net Cost of Services <u>2006</u>
Program Expenses				
Instruction:				
Regular	\$ 3,483,865	\$ 3,644,167	\$ (3,159,512)	\$ (3,389,908)
Special	626,379	738,817	(398,826)	(525,886)
Vocational	55,159	36,455	(55,159)	(36,455)
Other	13,935	13,935	-	-
Support services:				
Pupils	425,600	365,395	(411,055)	(347,102)
Instructional staff	198,376	153,887	(197,847)	(138,477)
Board of education	75,389	64,246	(75,389)	(64,246)
Administration	586,479	548,657	(547,093)	(511,234)
Fiscal	275,834	267,269	(275,834)	(267,269)
Operation and maintenance of plant	718,989	645,645	(718,443)	(644,454)
Pupil transportation	583,306	568,081	(575,634)	(563,409)
Central	101,076	59,554	(95,076)	(53,554)
Operation non-instructional services:				
Food service operations	186,640	201,381	(25,052)	(14,761)
Community services	170,269	125,242	47,630	18,647
Extracurricular activities	315,859	304,141	(202,452)	(168,756)
Interest and fiscal charges	12,888	15,613	(12,888)	(15,613)
Total	<u>\$ 7,830,043</u>	<u>\$ 7,752,485</u>	<u>\$ (6,702,630)</u>	<u>\$ (6,722,477)</u>

The dependence upon tax revenues for governmental activities is apparent. The net cost of the programs of \$6,702,630 was supported by mostly by property taxes. Program revenues totaled \$1,127,413 accounting for 13.6% of all governmental expenses. Program revenues include charges for services, operating and capital grants and contributions that are program specific. The community, as a whole, is the primary support for Newbury Local School District students.

The School District's Funds

The fund financial statements, for the School District's major fund starts on page 16. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,238,529 and expenditures of \$8,065,182. The net change in fund balance for the fiscal year was most significant in the general fund, an increase of \$166,045 due to an overall decrease in expenditures and an increase in revenues. The School District has received an increase in grant monies to better provide services to our students. As a result of changes in the federal granting procedures more revenue has been made available to the School District. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds, property taxes are the largest revenue source, accounting for 60.5% of total governmental revenue. Clearly, the community of Newbury is the greatest source of financial support for the students of the Newbury Local School District.

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the School District amended its general fund budget several times; however this amendment was not significant. Budget revisions are presented to the Board of Education for approval. For the general fund, the final budget basis revenue was \$7,083,402 representing a modest increase of \$289,835 increase from the original budget estimate of \$6,793,567. Most of this difference is due to an increase in property tax. Actual revenue for the general fund was \$7,079,006 a decrease of \$4,396 from the final budget estimate. This decrease was mainly attributed to a decrease in interest revenue from the final budgeted amount. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$1,293,309. As of June 30, 2007, the amount of expenditures plus encumbrances fell short of appropriations by \$312,236 or 4.3% of final appropriations.

For the other non-significant budget amendments, the School District uses a site-based style of budgeting and has in place systems that are designed to tightly control site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$3,441,207 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal year 2007 values compared to 2006.

Newbury Local School District
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Table 4
 Capital Assets, at Fiscal Year End
 (Net of Depreciation)

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Land	\$ 248,900	\$ 248,900
Land improvements	86,897	70,435
Buildings and improvements	2,639,416	2,450,316
Furniture and equipment	235,307	285,965
Vehicles	<u>230,687</u>	<u>223,585</u>
Total capital assets	<u>\$ 3,441,207</u>	<u>\$ 3,279,201</u>

All capital assets, except land, are reported net of depreciation. As one can see, the most significant change in capital assets during the fiscal year occurred in buildings and improvements and furniture and equipment. The additions in these asset classes were greater than the year's offsetting depreciation. Additional information on capital assets can be found in Note 8.

Debt

At June 30, 2007, the School District had \$153,040 in energy conservation bonds outstanding with \$74,353 due within one year. At June 30, 2007, the School District's overall legal debt margin was \$15,968,293 with an unvoted debt margin of \$179,125. The School District maintains an AAA bond rating. All existing bond obligations are general obligation debt backed by the full faith and credit of the School District and will be retired fully by fiscal year 2009. For additional information see Note 9.

School District Outlook

Newbury Local School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. Recent national events and their impact on the Newbury Local School District and the surrounding area are very much under review and analysis. Economic recession has yet to impact our primary industries, but that could be a seasonal phenomena resulting from our agricultural and housing industry strengths. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its five year forecast.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Thus management must diligently plan expenses from this growth, staying carefully within its five-year forecast.

Newbury Local School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2007

Unaudited

Newbury Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the court, the State may require the redistribution of commercial and industrial property taxes. With over 50% of the taxes for the School District coming from local businesses and industry, one can see the significant impact this change would have on the School District and ultimately, the residential taxpayers.

As a result of the challenges mentioned above, it is imperative that the School District's management continue to carefully and prudently plan to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

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

Newbury Local School District

Statement of Net Assets

June 30, 2007

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 1,500,381
Inventory held for resale	1,081
Materials and supplies inventory	16,889
<u>Receivables:</u>	
Accounts	45,923
Intergovernmental	30,346
Taxes	5,222,057
Accrued interest	661
Prepaid items	3,670
<u>Capital assets:</u>	
Land	248,900
Depreciable capital assets, net	3,192,307
Total capital assets	<u>3,441,207</u>
Total assets	<u>10,262,215</u>
 <u>Liabilities:</u>	
Accounts payable	23,842
Accrued wages	501,487
Intergovernmental payable	195,650
Undistributed money	2,050
Accrued interest payable	733
Deferred revenue	4,223,763
<u>Long-term liabilities:</u>	
Due within one year	128,270
Due in more than one year	419,861
Total liabilities	<u>5,495,656</u>
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	3,288,167
<u>Restricted for:</u>	
Capital projects	71,071
Debt service	433
Set asides	31,149
Other purposes	32,545
Unrestricted	<u>1,343,194</u>
Total net assets	<u>\$ 4,766,559</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 3,483,865	\$ 265,887	\$ 58,466	\$ -	\$ (3,159,512)
Special	626,379	-	227,553	-	(398,826)
Vocational	55,159	-	-	-	(55,159)
Other	13,935	-	13,935	-	-
Support services:					
Pupils	425,600	-	14,545	-	(411,055)
Instructional staff	198,376	-	529	-	(197,847)
Board of education	75,389	-	-	-	(75,389)
Administration	586,479	-	39,386	-	(547,093)
Fiscal	275,834	-	-	-	(275,834)
Operation and maintenance of plant	718,989	-	546	-	(718,443)
Pupil transportation	583,306	-	-	7,672	(575,634)
Central	101,076	-	6,000	-	(95,076)
Operation of non-instructional services:					
Food service operations	186,640	110,103	51,485	-	(25,052)
Comunnity services	170,269	-	217,899	-	47,630
Extracurricular activities	315,859	113,407	-	-	(202,452)
Interest and fiscal charges	12,888	-	-	-	(12,888)
Total governmental activities	<u>\$ 7,830,043</u>	<u>\$ 489,397</u>	<u>\$ 630,344</u>	<u>\$ 7,672</u>	<u>(6,702,630)</u>

General Revenues:

Property taxes levied for:

General purposes	4,810,650
Debt service	82,360
Capital outlay	136,514
Grants and entitlements not restricted to specific programs	1,964,652
Investment earnings	106,006
Miscellaneous	69,228

Total general revenues

7,169,410

Change in net assets

466,780

Net assets beginning of year

4,299,779

Net assets end of year

\$ 4,766,559

See accompanying notes to the basic financial statements.

Newbury Local School District

Balance Sheet

Governmental Funds

June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 1,305,654	\$ 163,578	\$ 1,469,232
Inventory held for resale	-	1,081	1,081
Materials and supplies inventory	16,788	101	16,889
Receivables:			
Accounts	45,923	-	45,923
Intergovernmental	-	30,346	30,346
Accrued interest	661	-	661
Interfund	41,165	-	41,165
Taxes	4,998,034	224,023	5,222,057
Prepaid items	3,670	-	3,670
Equity in pooled cash and cash equivalents (restricted)	31,149	-	31,149
Total assets	<u>\$ 6,443,044</u>	<u>\$ 419,129</u>	<u>\$ 6,862,173</u>
<u>Liabilities and fund balances:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 12,523	\$ 11,319	\$ 23,842
Accrued wages	472,873	28,614	501,487
Interfund payable	-	41,165	41,165
Intergovernmental payable	178,758	16,892	195,650
Deferred revenue	4,251,065	209,087	4,460,152
Undistributed monies	2,050	-	2,050
Total liabilities	<u>4,917,269</u>	<u>307,077</u>	<u>5,224,346</u>
<u>Fund balances:</u>			
Reserved for encumbrances	34,244	64,215	98,459
Reserved for property taxes	765,817	22,841	788,658
Reserved for budget stabilization	31,149	-	31,149
Unreserved,			
Undesignated, reported in:			
General fund	694,565	-	694,565
Special revenue funds	-	23,151	23,151
Debt service fund	-	103	103
Capital projects funds	-	1,742	1,742
Total fund balances	<u>1,525,775</u>	<u>112,052</u>	<u>1,637,827</u>
Total liabilities and fund balances	<u>\$ 6,443,044</u>	<u>\$ 419,129</u>	<u>\$ 6,862,173</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007*

Total governmental fund balances		\$	1,637,827
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,441,207
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property taxes	\$	209,636	
Intergovernmental		7,905	
Accounts		<u>18,848</u>	
			236,389
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds	\$	(153,040)	
Compensated absences		(395,091)	
Accrued interest payable		<u>(733)</u>	
Total			<u>(548,864)</u>
Net assets of governmental activities		\$	<u><u>4,766,559</u></u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Revenues, Expenditures

and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property taxes	\$ 4,768,597	\$ 217,712	\$ 4,986,309
Intergovernmental	1,953,963	650,374	2,604,337
Interest	103,662	2,344	106,006
Tuition and fees	220,048	35,440	255,488
Extracurricular activities	24,356	83,891	108,247
Gifts and donations	-	2,099	2,099
Charges for services	10,455	111,299	121,754
Miscellaneous	50,379	3,910	54,289
Total revenues	<u>7,131,460</u>	<u>1,107,069</u>	<u>8,238,529</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,281,518	100,170	3,381,688
Special	410,134	212,208	622,342
Vocational	52,954	-	52,954
Other	-	13,935	13,935
Support services:			
Pupils	385,064	18,507	403,571
Instructional staff	194,387	3,678	198,065
Board of education	75,389	-	75,389
Administration	542,276	40,419	582,695
Fiscal	277,703	2,314	280,017
Operation and maintenance of plant	626,918	76,771	703,689
Pupil transportation	520,936	-	520,936
Central	95,076	6,000	101,076
Operation of non-instructional services:			
Food service operations	-	177,362	177,362
Community services	-	169,400	169,400
Extracurricular activities	221,042	85,857	306,899
Capital outlay	266,525	125,157	391,682
Debt service:			
Principal retirement	-	70,257	70,257
Interest and fiscal charges	1,218	12,007	13,225
Total expenditures	<u>6,951,140</u>	<u>1,114,042</u>	<u>8,065,182</u>
Excess of revenues over (under) expenditures	<u>180,320</u>	<u>(6,973)</u>	<u>173,347</u>
<u>Other financing sources (uses):</u>			
Transfers in	-	14,275	14,275
Transfers out	(14,275)	-	(14,275)
Total other financing sources (uses)	<u>(14,275)</u>	<u>14,275</u>	<u>-</u>
Net change in fund balances	166,045	7,302	173,347
Fund balances at beginning of year	1,359,730	104,750	1,464,480
Fund balances at end of year	<u>\$ 1,525,775</u>	<u>\$ 112,052</u>	<u>\$ 1,637,827</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007

Net change in fund balances - total governmental funds		\$	173,347
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.			
In the current period, these amounts are:			
Capital asset additions	\$	391,682	
Capital asset disposals		(18,931)	
Depreciation expense		(210,745)	
Excess of capital outlay over depreciation expense			162,006
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:			
Property taxes	\$	43,215	
Intergovernmental		(3,769)	
Miscellaneous		18,848	
Net change in deferred revenues during the year			58,294
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			70,257
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:			
Decrease in compensated absences	\$	2,539	
Decrease in accrued interest		337	
Total additional expenditures			2,876
Change in net assets of governmental activities		\$	<u>466,780</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Taxes	\$ 4,617,096	\$ 4,746,430	\$ 4,746,430	\$ -
Intergovernmental	1,931,471	1,953,963	1,953,963	-
Interest	67,000	110,000	106,418	(3,582)
Tuition and fees	140,500	220,848	220,048	(800)
Extracurricular activities	27,000	24,356	24,356	-
Charges for services	10,400	10,455	10,455	-
Miscellaneous	100	17,350	17,336	(14)
Total revenues	6,793,567	7,083,402	7,079,006	(4,396)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,995,826	3,534,790	3,526,338	8,452
Special	656,317	590,542	414,120	176,422
Vocational	42,708	53,754	52,508	1,246
Other	4,600	4,600	-	4,600
Support services:				
Pupils	361,862	390,344	387,771	2,573
Instructional staff	160,042	213,610	193,704	19,906
Board of education	79,023	87,299	86,200	1,099
Administration	557,469	564,221	544,693	19,528
Fiscal	270,031	281,245	275,558	5,687
Business	1,100	1,100	-	1,100
Operation and maintenance of plant	642,121	648,539	626,241	22,298
Pupil transportation	609,091	621,823	595,620	26,203
Central	107,763	114,877	92,810	22,067
Extracurricular activities	219,041	219,041	217,986	1,055
Total expenditures	7,706,994	7,325,785	7,013,549	312,236
Excess of revenues over (under) expenditures	(913,427)	(242,383)	65,457	307,840
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	-	23,348	23,348	-
Advances in	-	43,071	43,071	-
Advances out	(25,750)	(41,051)	(41,051)	-
Transfers out	(10,000)	(14,275)	(14,275)	-
Total other financing sources (uses)	(35,750)	11,093	11,093	-
Net change in fund balance	(949,177)	(231,290)	76,550	307,840
Fund balance at beginning of year	1,151,168	1,151,168	1,151,168	-
Prior year encumbrances appropriated	65,591	65,591	65,591	-
Fund balance at end of year	\$ 267,582	\$ 985,469	\$ 1,293,309	\$ 307,840

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Assets and Liabilities

Agency Funds

June 30, 2007

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	<u>\$ 15,177</u>
<u>Liabilities:</u>	
Undistributed monies	\$ 4,769
Due to students	<u>10,408</u>
Total liabilities	<u>\$ 15,177</u>

See accompanying notes to the basic financial statements.

Note 1 – Summary of Significant Accounting Policies and Description of Reporting Entity

A. Description of the School District

Newbury Local School District (the School District) operates under a locally-elected Board form of government and provides educational services authorized by State and federal agencies. This Board controls the School District's two instructional/support facilities staffed by 36 non-certified employees, 65 certificated full time teaching personnel including 11 administrative employees to provide services to 726 students and other community members.

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

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

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

B. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The financial statements of the reporting entity include only those of the School District (the primary government). The School District has no component units.

The School District participates in four jointly governed organizations and an insurance purchasing pool. These organizations are the Auburn Career Center, the Lake Geauga Computer Association, the Newbury Joint Recreation Council, the Ohio Schools' Council and the Ohio School Plan. These organizations are discussed in Notes 14 and 15 to the basic financial statements.

C. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of interfund activity, within governmental type activities columns has been removed from these statements.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

D. Fund Accounting

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

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

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

The other governmental funds of the School District account for repayment of general long-term debt principal and interest and for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Fund Types Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds. The School District's agency funds are for future medical needs of employee's children, collections for field trips and student activities.

E. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

F. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statement presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 4). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

G. Cash and Cash Equivalents

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

During fiscal year 2007, the School District's investments were limited to STAROhio, the State Treasurer's Investment Pool, certificates of deposit, and notes of government-sponsored enterprises.

Investments are reported at fair value, which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund are amounts required by State statute to be set aside to create a reserve for budget stabilization. See Note 17 for additional information regarding set-asides.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

J. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

K. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life, are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	10 - 99 years
Furniture and Equipment	5-10 years
Vehicles	10 years

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on School District's past experiences of making termination payments.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

N. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

O. Interfund Activity

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

P. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, and budget stabilization.

The reserve for budget stabilization represents money set-aside to protect against cyclical changes in revenues and expenditures. The reserve for property taxes represents taxes recognized as a revenue under generally accepted accounting principals but not available for appropriation under state statute.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include food service operations and extracurricular activities.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2007 net assets restricted were \$135,198 in the statement of net assets none of which were by enabling legislation.

R. Estimates

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

S. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. 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 set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The School District Treasurer has been given the authority to allocate and maintain appropriations within each department. With this authority, the Treasurer can transfer appropriations within each fund during the year as necessary.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

Note 2 - Budgetary Basis of Accounting

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

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$ 166,045
Net adjustment for revenue accruals	(29,106)
Advance in	43,071
Net adjustment for expenditure accruals	(17,701)
Advance out	(41,051)
Adjustment for encumbrances	<u>(44,708)</u>
Budget Basis	<u>\$ 76,550</u>

Note 3 - Deposits and Investments

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 (STAROhio);
7. Certain banker's acceptance and commercial paper notes, if training requirements have been met, for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal and interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Undeposited Cash At fiscal year-end, the School District had \$50 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government.

These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$335,721. The School District's bank balance of \$452,724 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the School District's name	\$ 242,724
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Investments

As of June 30, the School District had the following investments, ratings and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
STAROhio	\$ 881,005	N/A	AAAm ⁽¹⁾
Federal Home Loan Bank	<u>298,782</u>	6/27/2012	A-1 ⁽¹⁾
	<u>\$ 1,179,787</u>		

⁽¹⁾ Standard and Poor's rating.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$103,662 which includes \$10,159 assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The investments in Federal Home Loan Bank (FHLB) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAROhio an AAAM rating and FHLB an A-1 rating. The School District's investment policy requires certain credit ratings for some investments as explained above.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 25.3% of the School District's investments are in FHLB. The School District's policy places no limit on the amount that may be invested in any one issuer.

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 (used in business) property located in the School District. Real property tax received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 tangible personal property received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Tangible personal property tax received during calendar year 2007 (other than public utility property) represents collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5%. This will be reduced to 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Geauga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half property tax payments collected by the County by June 30, 2007, are intended to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007 was \$765,817 in the general fund and \$22,841 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2006 was \$743,650 in the general fund, \$23,129 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006	2005
	<u>Assessed Value</u>	<u>Assessed Value</u>
Real Property		
Residential and Agricultural	\$ 150,587,250	\$ 148,892,550
Commercial and Industrial	20,416,940	20,647,550
Tangible Personal Property		
General	3,201,165	6,465,090
Public Utilities	4,919,420	5,159,760
Total	<u>\$ 179,124,775</u>	<u>\$ 181,164,950</u>
Tax rate per \$1,000 of of assessed valuation	\$ 59.29	\$ 59.29

Note 5 - Receivables

Receivables at June 30, 2007, consisted of taxes, accounts (tuition and excess costs), accrued interest, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

Intergovernmental receivables at June 30, 2007, are presented below:

<u>Governmental Activities</u>	<u>Amount</u>
Food Service	\$ 7,592
Title I	19,327
Title IV-A	1,465
Title II A	1,077
Title II D	<u>885</u>
Total intergovernmental receivable	<u>\$ 30,346</u>

Note 6 - Interfund Balances

Interfund balances at June 30, 2007 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	\$ 41,165

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2007, all interfund loans outstanding are anticipated to be repaid in fiscal year 2008.

Note 7 - Interfund Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Transfers from general fund to:	
Nonmajor governmental funds	\$ 14,275

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

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 248,900	\$ -	\$ -	\$ 248,900
Capital assets, being depreciated:				
Land improvements	79,926	14,198	-	94,124
Buildings	5,260,568	276,986	(29,385)	5,508,169
Furniture and equipment	1,185,110	36,100	(97,620)	1,123,590
Vehicles	<u>722,004</u>	<u>64,398</u>	<u>-</u>	<u>786,402</u>
Total capital assets, being depreciated	<u>7,247,608</u>	<u>391,682</u>	<u>(127,005)</u>	<u>7,512,285</u>
Less: Accumulated depreciation				
Land improvements	(9,491)	(3,744)	6,008	(7,227)
Buildings	(2,810,252)	(100,737)	42,236	(2,868,753)
Furniture and equipment	(899,145)	(48,968)	59,830	(888,283)
Vehicles	<u>(498,419)</u>	<u>(57,296)</u>	<u>-</u>	<u>(555,715)</u>
Total accumulated depreciation	<u>(4,217,307)</u>	<u>(210,745)</u>	<u>108,074</u>	<u>(4,319,978)</u>
Total capital assets being depreciated, net	<u>3,030,301</u>	<u>180,937</u>	<u>(18,931)</u>	<u>3,192,307</u>
Governmental activities capital assets, net	<u>\$ 3,279,201</u>	<u>\$ 180,937</u>	<u>\$ (18,931)</u>	<u>\$ 3,441,207</u>

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 112,672
Special	1,227
Support services:	
Pupil	1,060
Instructional staff	1,025
Administration	1,498
Fiscal	674
Operation and maintenance of plant	18,733
Pupil transportation	63,006
Operation of non-instructional services:	
Food service operations	5,813
Community services	869
Extracurricular activities	<u>4,168</u>
Total depreciation expense	<u>\$ 210,745</u>

Note 9 - Long Term Obligations

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Balance			Balance	Due Within
	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>	<u>One Year</u>
Governmental Activities					
Energy Conservation Bonds,					
5.748%, Due December, 2009	\$ 223,297	\$ -	\$ 70,257	\$ 153,040	\$ 74,353
Compensated absences	<u>397,630</u>	<u>29,454</u>	<u>31,993</u>	<u>395,091</u>	<u>53,917</u>
Total Long-term Liabilities	<u>\$ 620,927</u>	<u>\$ 29,454</u>	<u>\$ 102,250</u>	<u>\$ 548,131</u>	<u>\$ 128,270</u>

On July 1, 1999, the School District issued \$620,759 of House Bill 264 Energy Conservation Improvement Bonds at a rate of 5.748% for 10 years for various improvements in the School District. All bonds will be paid from property taxes.

The compensated absences will be paid from the general, Title VI-B, Title I, improving teacher quality and food service funds.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The School District's overall legal debt margin was \$15,968,293 with an unvoted debt margin of \$179,125 at June 30, 2007.

Principal and interest requirements to retire the energy conservation bonds outstanding at June 30, 2007 are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 74,353	\$ 7,873	\$ 82,226
2009	<u>78,687</u>	<u>3,459</u>	<u>82,146</u>
Total	<u>\$ 153,040</u>	<u>\$ 11,332</u>	<u>\$ 164,372</u>

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties through the Ohio School Plan, a public entity insurance purchasing pool.

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

B. Workers' Compensation

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

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

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service and hours worked. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Classified employees and administrators who earn vacation are paid for accumulated unused vacation time upon termination of employment. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract. Upon retirement, payment is made for 50% of the total sick leave accumulated up to a maximum of 75 days.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through OSC Life Insurance Group through Ohio Schools' Council. The School District has contracted with Anthem BCBS-OH to provide employee medical/surgical and dental benefits. The School District pays \$956.96 per family for medical coverage and \$382.83 per single for medical coverage per month which represents 90% of the family premium and 90% of the single premium for employees hired before July 1, 2003. The School District pays \$897.08 per family coverage and \$358.86 per single coverage per month which represents 90% of the family premium and 90% of the single premium for employees hired after July 1, 2003. These premiums cover medical/surgical and major medical portion of the insurance. The School District pays \$98.81 per family for dental coverage and \$32.95 per single for dental coverage per month which represents 90% of the family premium and 90% of the single premium for employees hired before July 1, 2003. The School District pays \$66.38 per family for dental coverage and \$22.14 per single for dental coverage per month which represents 90% of the family premium and 90% of the single premium for employees hired after July 1, 2003.

Note 12 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (800) 878-5853 or by visiting the SERS website at ohsers.org, under forms and publications.

Newbury Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$115,655, \$106,944 and \$85,653, respectively; 40% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$69,116, representing the unpaid contribution for fiscal year 2007, is recorded as an intergovernmental payable.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

For the fiscal year ended June 30, 2007 plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006 and 2005 were \$439,667, \$388,247 and \$380,796, respectively; 83% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$76,358, representing the unpaid contribution for fiscal year 2007, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2007 were \$17,714 made by the School District and \$23,589 made by the plan members.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payments in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

C. Social Security System

Effective July 1, 1991, employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2007, two members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 13 - Postemployment Benefits

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

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

All STRS Ohio retirees who have participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$33,821 during the 2007 fiscal year.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the fund was \$4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS had \$122,934 eligible benefit recipients.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced 50% for those who apply. For fiscal year 2007, employer contributions to fund health care benefits were 3.32% of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2007, the minimum pay has been established at \$35,800. However, the surcharge is capped at 2% of each employer's SERS salaries for fiscal year 2007. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$50,750, which includes a surcharge of \$14,798 during the 2007 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006 (latest information available) were \$158,751,207. At June 30, 2006, the SERS's net assets available for payment of health care benefits was \$295.6 million. The number of participants receiving health care benefits was approximately 59,492.

Note 14 - Jointly Governed Organizations

Auburn Career Center The Auburn Career Center is a joint vocational school district which is a jointly governed organization among eleven School Districts. Each participating school district appoints one member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of Auburn Career Center is not dependent on the School District's continued participation. The School District made payments totaling \$540 to the Auburn Career Center during fiscal year 2007. Financial information can be obtained from 8140 Auburn Road, Painesville, Ohio 44077.

Newbury Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

Lake Geauga Computer Association The Lake Geauga Computer Association (the “LGCA”) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 18 member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA’s continued existence is not dependent on Newbury Local School District’s continued participation. The School District made payments totaling \$25,598 to the Lake Geauga Computer Association during fiscal year 2007. To obtain financial information, write to Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

Newbury Joint Recreation Council The Newbury Joint Recreation Council (the “Council”) is a jointly governed organization. The School District appoints three members of the seven-member board. The purpose of the Council is to further athletic and recreational opportunities. The School District has made financial contributions to the Council in prior years, but not during fiscal year ended June 30, 2007. The School District’s degree of control is limited to its representation on the board. The Council’s continued existence is not dependent on the School District’s continued participation. To obtain financial information, write to Newbury Joint Recreation Board, Newbury Town Hall, Newbury, Ohio 44065.

Ohio Schools’ Council The Ohio Schools’ Council (OSC) is a jointly governed organization among eighty-two School Districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. Each district supports the OSC by paying an annual participation fee. The Council’s Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2007, the School District paid \$2,024 to the Council. Financial information can be obtained by contacting the Executive Director/Treasurer, Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council’s electric purchase program, which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimates are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund, which are not encumbered for its share of program administrative costs.

Note 15 - Insurance Purchasing Pool

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

Note 16 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

The School District is not party to any legal proceedings.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 17 - Set asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2007, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisition and budget stabilization. Disclosure of this information is required by the State statute.

	Textbook Instructional Materials Reserve	Capital Improvements Reserve	Budget Stabilization Reserve
Set-aside reserve balance as of June 30, 2006	\$ (539,570)	\$ -	\$ 31,149
Current year set-aside requirement	117,447	117,447	-
Qualified disbursements	<u>(157,809)</u>	<u>(280,228)</u>	<u>-</u>
Total	<u>\$ (579,932)</u>	<u>\$ (162,781)</u>	<u>\$ 31,149</u>
Set-aside reserve balance carried forward to future fiscal years	<u>\$ (579,932)</u>	<u>\$ -</u>	<u>\$ 31,149</u>
Set-aside reserve balance as of June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,149</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. These negative balances are therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$31,149.

Note 18 – Accountability and Compliance

A. Accountability

As of June 30, 2007, four funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

<u>Fund</u>	<u>Amount</u>
Special revenue funds:	
Food service	\$ 29,940
EMIS	1,634
IDEA special education	2,425
Reducing class size	3,647

B. Compliance

In mid-year the Auxiliary Service fund had expenditures exceeding appropriations in the amount of \$5,027, contrary to Ohio Revised Code Section 5705.41 (B). At year end this fund was corrected.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Newbury Local School District, Geauga County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated February 29, 2008.

We intend this report solely for the information and use of the audit committee, management and the Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 29, 2008



Mary Taylor, CPA
Auditor of State

NEWBURY LOCAL SCHOOL DISTRICT

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 20, 2008**