



Dave Yost • Auditor of State

**NEWBURY LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newbury Local School District, Geauga County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newbury Local School District, Lake County, Ohio, as of June 30, 2011, 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.

As described in Note 2, the District adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances of the Governmental Funds due to a change in fund structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

April 20, 2012

Newbury Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2011
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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$565,742, which represents a 13.9% increase from 2011. Further analysis of this increase may be found on page five.
- Revenues for governmental activities totaled \$9,452,337 in 2011. Of this total, \$8,264,424 or 87.4% consisted of general revenues while program revenues accounted for the balance of \$1,187,913 or 12.6%.
- The School District had \$8,886,595 in expenses related to governmental activities; only \$1,187,913 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 \$8,264,424 helped to provide for these programs.
- Program expenses totaled \$8,886,595. Instructional expenses made up \$5,221,657 or 58.8% of this total while support services accounted for \$2,978,257 or 33.5%. Other expenses, \$686,681 rounded out the remaining 7.7%.
- Unrestricted net assets carried a balance of \$1,138,657, a increase of \$543,610 from the prior year's balance of \$595,047. This component of net assets is primarily related to the activity of the general fund.
- Total assets of governmental activities increased \$675,250 which represents a 6.5% increase from 2011.

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
Management's Discussion and Analysis
For the Fiscal Year June 30, 2011
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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 five. 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 9. 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.

Newbury Local School District
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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 2011 compared to 2010:

Table 1		
Net Assets		
Governmental Activities		
	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 7,820,447	\$ 7,080,699
Capital assets, net of depreciation	<u>3,287,833</u>	<u>3,352,331</u>
Total assets	<u>11,108,280</u>	<u>10,433,030</u>
Liabilities		
Other liabilities	5,798,983	5,846,946
Long-term liabilities:		
Due within one year	163,216	92,483
Due in more than one year	<u>496,898</u>	<u>410,160</u>
Total liabilities	<u>6,459,097</u>	<u>6,349,589</u>
Net Assets		
Invested in capital assets	3,287,833	3,352,331
Restricted for:		
Capital projects	135,611	43,800
Set asides	31,149	31,149
Other purposes	55,933	61,114
Unrestricted	<u>1,138,657</u>	<u>595,047</u>
Total net assets	<u>\$ 4,649,183</u>	<u>\$ 4,083,441</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, 2011, the School District's assets exceeded liabilities by \$4,649,183.

Capital assets, reported on the government-wide statements represent a large component of net assets. Capital assets include land and land improvements, buildings and improvements, furniture and equipment and vehicles in progress which are used to provide services to students and are not available for future spending.

A portion of the School District's net assets, \$222,693, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$135,611 is restricted for capital projects, \$55,933 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 \$8,264,424 or 87.4% of total revenue. The most significant portion of the general revenue is property taxes which is 59.7% of total revenue and intergovernmental grants and entitlements revenue (consisting of state foundation, homestead and rollback, and personal property tax exemption) which is 25.3% of total revenue. Investment earnings and miscellaneous revenue account for 2.4% of total revenue. The remaining amount of revenue received was in the form of program revenues, which equated \$1,187,913 or only 12.6% of total revenue.

Newbury Local School District
Management's Discussion and Analysis
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Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

Table 2
 Governmental Activities

	<u>2011</u>	<u>2010</u>
Program Revenues		
Charges for services	\$ 420,340	\$ 428,766
Operating grants and contributions	<u>767,573</u>	<u>678,584</u>
Total program revenues	<u>1,187,913</u>	<u>1,107,350</u>
General Revenues		
Property taxes	5,644,255	5,089,502
Grants and entitlements	2,391,013	2,321,048
Investment earnings	29,925	34,485
Miscellaneous	<u>199,231</u>	<u>73,346</u>
Total general revenues	<u>8,264,424</u>	<u>7,518,381</u>
Total revenues	<u>9,452,337</u>	<u>8,625,731</u>
Program Expenses		
Instruction:		
Regular	4,242,696	4,006,748
Special	917,622	971,784
Vocational	60,339	54,072
Other	1,000	4,125
Support services:		
Pupils	390,343	382,738
Instructional staff	189,895	162,965
Board of education	115,826	85,795
Administration	559,903	551,591
Fiscal	271,297	301,578
Operation and maintenance of plant	768,281	772,030
Pupil transportation	595,532	616,485
Central	87,180	95,123
Operation non-instructional services	380,170	356,777
Extracurricular activities	<u>306,511</u>	<u>328,426</u>
<i>Total Program Expenses</i>	<u>8,886,595</u>	<u>8,690,237</u>
Change in net assets	565,742	(64,506)
Net assets beginning of year	<u>4,083,441</u>	<u>4,147,947</u>
<i>Net Assets End of Year</i>	<u>\$ 4,649,183</u>	<u>\$ 4,083,441</u>

Expenses increased \$196,358 or 2.3% in 2011 as compared to 2010. This increase was not due to any one item. During the same period, revenues increased by \$826,606 or 9.6%. This increase was mainly due to an increase in property taxes.

Newbury Local School District
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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 59.7% of revenues for governmental activities for the School District in fiscal year 2011. 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 58.8% of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 33.5%. The remaining 7.7% 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.

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.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2011</u>	Net Cost of Services <u>2010</u>
Program Expenses				
Instruction:				
Regular	\$ 4,242,696	\$ 4,006,748	\$ (3,806,454)	\$ (3,615,388)
Special	917,622	971,784	(623,674)	(691,445)
Vocational	60,339	54,072	(60,339)	(54,072)
Other	1,000	4,125	(1,000)	(4,125)
Support services:				
Pupils	390,343	382,738	(385,278)	(376,762)
Instructional staff	189,895	162,965	(177,016)	(162,965)
Board of education	115,826	85,795	(115,826)	(85,795)
Administration	559,903	551,591	(530,213)	(515,189)
Fiscal	271,297	301,578	(271,297)	(301,578)
Operation and maintenance of plant	768,281	772,030	(768,281)	(771,385)
Pupil transportation	595,532	616,485	(595,532)	(616,485)
Central	87,180	95,123	(68,806)	(90,550)
Operation non-instructional services:				
Food service operations	236,749	201,469	(104,752)	(58,549)
Community services	143,421	155,308	18,985	(3,337)
Extracurricular activities	306,511	328,426	(209,199)	(235,262)
Total	<u>\$ 8,886,595</u>	<u>\$ 8,690,237</u>	<u>\$ (7,698,682)</u>	<u>\$ (7,582,887)</u>

Newbury Local School District
Management's Discussion and Analysis
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The dependence upon tax revenues for governmental activities is apparent. The net cost of the programs of \$7,698,682 was supported by mostly by property taxes. Program revenues totaled \$1,187,913 accounting for 12.6% of all governmental revenues. 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 School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$9,578,936 and total expenditures and other financing uses were \$8,766,611. The total governmental funds balance increased by \$812,325, the School District continues to be financially stable with a total governmental fund balance of \$1,802,723 at year-end. Table 4 shows fiscal year 2011 fund balances compared to fiscal year 2010.

Table 4
Fund Balances

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase/ (Decrease)	Percent Change
General	\$ 1,703,572	\$ 1,006,610	\$ 696,962	69.24
Other governmental	99,151	(16,212)	115,363	(711.59)
Total	<u>\$ 1,802,723</u>	<u>\$ 990,398</u>	<u>\$ 812,325</u>	<u>82.02</u>

General Fund

The fund balance for the fiscal year in the general fund reported \$1,703,572, an increase of \$696,962 from 2010. This increase was due to an increase in property taxes for the current year.

Newbury Local School District
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For the Fiscal Year June 30, 2011
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Table 5
 General Fund Changes in Revenues and Expenditures

	<u>2011</u> Amount	<u>2010</u> Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 5,530,997	\$ 4,879,490	\$ 651,507	13.35
Intergovernmental	2,382,506	2,310,024	72,482	3.14
Interest	29,925	34,485	(4,560)	(13.22)
Tuition and fees	254,572	259,265	(4,693)	(1.81)
Extracurricular activities	51,349	37,805	13,544	35.83
Gifts and donations	4,433	550	3,883	706.00
Charges for services	10,400	10,400	-	-
Miscellaneous	<u>195,798</u>	<u>72,796</u>	<u>123,002</u>	168.97
Total revenues	<u>8,459,980</u>	<u>7,604,815</u>	<u>855,165</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,880,877	3,748,520	132,357	3.53
Special	602,992	706,268	(103,276)	(14.62)
Vocational	58,648	53,514	5,134	9.59
Other	-	4,125	(4,125)	(100.00)
Support services:				
Pupils	368,258	355,428	12,830	3.61
Instructional staff	160,482	161,697	(1,215)	(0.75)
Board of education	115,826	85,795	30,031	35.00
Administration	525,502	499,578	25,924	5.19
Fiscal	269,162	290,576	(21,414)	(7.37)
Operation and maintenance of plant	710,945	713,330	(2,385)	(0.33)
Pupil transportation	542,409	564,435	(22,026)	(3.90)
Central	81,145	86,344	(5,199)	(6.02)
Operation of non-instructional services:				
Community service	261	268	(7)	(2.61)
Extracurricular	246,992	237,634	9,358	3.94
Capital outlay	<u>97,534</u>	<u>8,855</u>	<u>88,679</u>	1,001.46
Total expenditures	<u>\$ 7,661,033</u>	<u>\$ 7,516,367</u>	<u>\$ 144,666</u>	

Newbury Local School District
Management's Discussion and Analysis
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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 2011, 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 \$8,386,782 representing a modest increase of \$402,355 from the original budget estimate of \$7,984,427. Most of this difference is not related to any one particular item. Actual revenue for the general fund was \$8,409,306, an increase of \$22,524 from the final budget estimate. This increase was not attributed to any single item. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$1,634,015. As of June 30, 2011, the amount of expenditures plus encumbrances fell short of appropriations by \$318,976 or 3.87% 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 2011, the School District had \$3,287,833 invested in land, buildings and improvements, furniture and equipment and vehicles. Table 6 shows fiscal year 2011 values compared to 2010.

Table 6
 Capital Assets, at Fiscal Year End
 (Net of Depreciation)

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Land	\$ 248,900	\$ 248,900
Land improvements	557,540	567,639
Buildings and improvements	2,080,150	2,182,319
Furniture and equipment	173,103	175,336
Vehicles	228,140	178,137
Total capital assets	<u>\$ 3,287,833</u>	<u>\$ 3,352,331</u>

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All capital assets, except land and construction in progress, 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 vehicles. The additions in vehicles were greater than the year's offsetting depreciation and buildings and improvements current year depreciation was greater than current year additions. Additional information on capital assets can be found in Note 10.

Debt

The School District maintains an AAA bond rating. For additional information see Note 11.

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.

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio works toward a solution to the State's unconstitutional education funding system. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

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.

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Newbury Local School District

Statement of Net Assets

June 30, 2011

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 1,970,524
Inventory held for resale	1,022
Materials and supplies inventory	29,569
Receivables:	
Accounts	10,921
Intergovernmental	38,718
Taxes	5,766,715
Accrued interest	624
Prepaid items	2,354
Capital assets:	
Nondepreciable capital assets, net	248,900
Depreciable capital assets, net	3,038,933
Total capital assets	3,287,833
Total assets	11,108,280
<u>Liabilities:</u>	
Accounts payable	53,892
Accrued wages	520,069
Intergovernmental payable	223,919
Undistributed money	2,050
Deferred revenue	4,999,053
Long-term liabilities:	
Due within one year	163,216
Due in more than one year	496,898
Total liabilities	6,459,097
<u>Net assets:</u>	
Invested in capital assets	3,287,833
Restricted for:	
Capital projects	135,611
Set asides	31,149
Other purposes	55,933
Unrestricted	1,138,657
Total net assets	\$ 4,649,183

See accompanying notes to the basic financial statements.

Newbury Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 4,242,696	\$ 264,972	\$ 171,270	\$ (3,806,454)
Special	917,622	-	293,948	(623,674)
Vocational	60,339	-	-	(60,339)
Other	1,000	-	-	(1,000)
Support services:				
Pupils	390,343	-	5,065	(385,278)
Instructional staff	189,895	-	12,879	(177,016)
Board of education	115,826	-	-	(115,826)
Administration	559,903	-	29,690	(530,213)
Fiscal	271,297	-	-	(271,297)
Operation and maintenance of plant	768,281	-	-	(768,281)
Pupil transportation	595,532	-	-	(595,532)
Central	87,180	-	18,374	(68,806)
Operation of non-instructional services:				
Food service operations	236,749	58,981	73,016	(104,752)
Community services	143,421	-	162,406	18,985
Extracurricular activities	306,511	96,387	925	(209,199)
Total governmental activities	<u>\$ 8,886,595</u>	<u>\$ 420,340</u>	<u>\$ 767,573</u>	<u>(7,698,682)</u>
<u>General Revenues:</u>				
Property taxes levied for:				
General purposes				5,514,085
Capital outlay				130,170
Grants and entitlements not restricted to specific programs				2,391,013
Investment earnings				29,925
Miscellaneous				199,231
Total general revenues				<u>8,264,424</u>
Change in net assets				565,742
Net assets, beginning of year				4,083,441
Net assets, end of year				<u>\$ 4,649,183</u>

See accompanying notes to the basic financial statements.

Newbury Local School District

Balance Sheet

Governmental Funds

June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 1,759,524	\$ 179,851	\$ 1,939,375
Inventory held for resale	-	1,022	1,022
Materials and supplies inventory	29,349	220	29,569
<u>Receivables:</u>			
Accounts	10,921	-	10,921
Intergovernmental	-	38,718	38,718
Accrued interest	624	-	624
Interfund	52,462	-	52,462
Taxes	5,633,242	133,473	5,766,715
Prepaid items	2,153	201	2,354
Equity in pooled cash and cash equivalents (restricted)	31,149	-	31,149
Total assets	<u>\$ 7,519,424</u>	<u>\$ 353,485</u>	<u>\$ 7,872,909</u>
<u>Liabilities and fund balances:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 50,676	\$ 3,216	\$ 53,892
Accrued wages	473,220	46,849	520,069
Interfund payable	-	52,462	52,462
Intergovernmental payable	195,281	28,638	223,919
Deferred revenue	5,094,625	123,169	5,217,794
Undistributed monies	2,050	-	2,050
Total liabilities	<u>5,815,852</u>	<u>254,334</u>	<u>6,070,186</u>
<u>Fund balances:</u>			
Nonspendable	31,502	1,443	32,945
Restricted	-	185,993	185,993
Assigned	882,714	-	882,714
Unassigned	789,356	(88,285)	701,071
Total fund balances	<u>1,703,572</u>	<u>99,151</u>	<u>1,802,723</u>
Total liabilities and fund balances	<u>\$ 7,519,424</u>	<u>\$ 353,485</u>	<u>\$ 7,872,909</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, 2011

Total governmental fund balances		\$	1,802,723
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.			3,287,833
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property taxes	\$	216,105	
Intergovernmental		<u>2,636</u>	
			218,741
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:			
Compensated absences			<u>(660,114)</u>
Net assets of governmental activities		\$	<u><u>4,649,183</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, 2011

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property taxes	\$ 5,530,997	\$ 130,545	\$ 5,661,542
Intergovernmental	2,382,506	781,304	3,163,810
Interest	29,925	178	30,103
Tuition and fees	254,572	-	254,572
Extracurricular activities	51,349	39,709	91,058
Gifts and donations	4,433	925	5,358
Charges for services	10,400	59,981	70,381
Miscellaneous	195,798	4,329	200,127
Total revenues	<u>8,459,980</u>	<u>1,016,971</u>	<u>9,476,951</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,880,877	138,588	4,019,465
Special	602,992	295,072	898,064
Vocational	58,648	-	58,648
Adult/continuing	-	1,000	1,000
Support services:			
Pupils	368,258	17,754	386,012
Instructional staff	160,482	13,025	173,507
Board of education	115,826	-	115,826
Administration	525,502	34,941	560,443
Fiscal	269,162	2,335	271,497
Operation and maintenance of plant	710,945	29,318	740,263
Pupil transportation	542,409	-	542,409
Central	81,145	18,374	99,519
Operation of non-instructional services:			
Food service operations	-	228,399	228,399
Community services	261	136,687	136,948
Extracurricular activities	246,992	54,537	301,529
Capital outlay	97,534	33,563	131,097
Total expenditures	<u>7,661,033</u>	<u>1,003,593</u>	<u>8,664,626</u>
Excess of revenues over expenditures	<u>798,947</u>	<u>13,378</u>	<u>812,325</u>
<u>Other financing sources (uses):</u>			
Transfers in	-	101,985	101,985
Transfers out	<u>(101,985)</u>	<u>-</u>	<u>(101,985)</u>
Total other financing sources (uses)	<u>(101,985)</u>	<u>101,985</u>	<u>-</u>
Net change in fund balances	696,962	115,363	812,325
Fund balances at beginning of year, restated	1,006,610	(16,212)	990,398
Fund balances at end of year	<u>\$ 1,703,572</u>	<u>\$ 99,151</u>	<u>\$ 1,802,723</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, 2011*

Net change in fund balances - total governmental funds \$ 812,325

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	\$ 131,097	
Depreciation expense	<u>(195,595)</u>	
Excess of depreciation expense over capital outlay		(64,498)

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	\$ (17,287)	
Intergovernmental	<u>(7,327)</u>	
Net change in deferred revenues during the year		(24,614)

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:

Increase in compensated absences		<u>(157,471)</u>
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Change in net assets of governmental activities \$ 565,742

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 5,414,866	\$ 5,515,716	\$ 5,515,716	\$ -
Intergovernmental	2,325,948	2,382,506	2,382,506	-
Interest	30,000	34,105	33,985	(120)
Tuition and fees	155,013	205,234	227,593	22,359
Extracurricular activities	38,000	40,000	39,875	(125)
Gifts and donations	200	2,685	3,433	748
Charges for services	10,400	10,400	10,400	-
Miscellaneous	5,000	190,409	190,071	(338)
Total revenues	7,979,427	8,381,055	8,403,579	22,524
Expenditures:				
Current:				
Instruction:				
Regular	3,874,446	3,901,781	3,805,033	96,748
Special	844,662	683,505	625,959	57,546
Vocational	52,584	58,420	58,420	-
Support services:				
Pupils	389,339	411,564	389,592	21,972
Instructional staff	149,469	174,932	160,266	14,666
Board of education	101,046	106,295	104,241	2,054
Administration	519,560	544,361	532,266	12,095
Fiscal	308,918	288,221	273,806	14,415
Operation and maintenance of plant	784,231	802,815	783,838	18,977
Pupil transportation	677,045	696,738	655,116	41,622
Central	119,138	130,306	109,134	21,172
Operation of non-instructional services				
Community services	500	500	261	239
Extracurricular activities	259,264	257,493	240,023	17,470
Total expenditures	8,080,202	8,056,931	7,737,955	318,976
Excess of revenues over (under) expenditures	(100,775)	324,124	665,624	341,500
Other financing sources (uses):				
Refund of prior year expenditures	-	5,727	5,727	-
Advances in	5,000	-	-	-
Advances out	(5,000)	(5,084)	(5,084)	-
Transfers out	(158,100)	(183,985)	(183,985)	-
Total other financing sources (uses)	(158,100)	(183,342)	(183,342)	-
Net change in fund balance	(258,875)	140,782	482,282	341,500
Fund balance at beginning of year	1,033,567	1,033,567	1,033,567	-
Prior year encumbrances appropriated	118,166	118,166	118,166	-
Fund balance at end of year	\$ 892,858	\$ 1,292,515	\$ 1,634,015	\$ 341,500

See accompanying notes to the basic financial statements.

Newbury Local School District

Statement of Assets and Liabilities

Agency Funds

June 30, 2011

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	<u>\$ 16,443</u>
<u>Liabilities:</u>	
Accounts payable	\$ 706
Undistributed monies	681
Due to students	<u>15,056</u>
Total liabilities	<u>\$ 16,443</u>

See accompanying notes to the basic financial statements.

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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 30 non-certified employees, 56 certificated full time teaching personnel including 4 administrative employees to provide services to 670 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 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, 2011

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 16 and 17 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.

Newbury Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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, 2011, but which were levied to finance fiscal year 2012 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, 2011

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 2011, the School District's investments were limited to a certificate 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. The set aside amounts for budget stabilization is now optional as determined by the School District. See Note 19 for additional information regarding set-asides.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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. Fund Balance

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

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

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

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

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

P. Interfund Activity

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

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. 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.

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, 2011 net assets restricted were \$222,693 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 – Change in Accounting Principles and Restatement of Fund Balance

A. Change in accounting principles

For the fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

B. Restatement of prior year's fund balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Fund balance at June 30, 2010	\$ 983,449	\$ 6,949	\$ 990,398
Change in fund structure	<u>23,161</u>	<u>(23,161)</u>	<u>-</u>
Adjusted fund balance at July 1, 2010	<u>\$ 1,006,610</u>	<u>\$ (16,212)</u>	<u>\$ 990,398</u>

Note 3 – Fund Balances

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

Fund Balances	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Nonspendable</u>			
Materials and supplies inventory	\$ 29,349	\$ 1,242	\$ 30,591
Prepays	<u>2,153</u>	<u>201</u>	<u>2,354</u>
Total nonspendable	<u>31,502</u>	<u>1,443</u>	<u>32,945</u>
<u>Restricted for</u>			
Special trust	-	8,565	8,565
Athletics and music	-	14,459	14,459
Auxiliary services	-	32,364	32,364
Permanent improvements	-	130,465	130,465
State grants	-	110	110
Federal grants	-	30	30
Total restricted	<u>-</u>	<u>185,993</u>	<u>185,993</u>
<u>Assigned</u>			
Public school support	14,118	-	14,118
Other purposes	<u>868,596</u>	<u>-</u>	<u>868,596</u>
Total assigned	<u>882,714</u>	<u>-</u>	<u>882,714</u>
Unassigned (deficit)	<u>789,356</u>	<u>(88,285)</u>	<u>701,071</u>
Total fund balances	<u>\$ 1,703,572</u>	<u>\$ 99,151</u>	<u>\$ 1,802,723</u>

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4 - 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:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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	
	<u>General</u>
GAAP basis	\$ 696,962
Revenue accruals	(14,061)
Prior year adjustment for fair market value of investments	2,970
Current year adjustment to fair market value of investments	(130)
Expenditure accruals	(64,585)
Advances out	(5,084)
Budgeted as part of special revenue funds:	
Revenues	(39,453)
Expenditures	38,575
Encumbrances (Budget Basis) outstanding at year end	<u>(132,912)</u>
Budget basis	<u>\$ 482,282</u>

Note 5 - 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:

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 (STAR Ohio);

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

7. Certain banker's acceptance and commercial paper notes, if trading 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."

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 \$1,486,787. The School District's bank balance of \$1,666,663 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	\$ 1,174,959
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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>
Federal Home Loan Bank	\$ 500,130	12/10/2015	AAA ⁽¹⁾

⁽¹⁾ Standard and Poor's rating.

Newbury Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 2011 amounted to \$29,925 which includes \$934 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. 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 FHLB an AAA 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. 100% 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 6 - 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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 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, 2011

Tangible personal property tax received during calendar year 2010 (other than public utility property) represents collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2009, on the value as of December 31, 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, 2011, are intended to finance fiscal year 2011 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, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011 was \$538,617 in the general fund and \$12,940 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 2011 taxes were collected are:

	2010 <u>Assessed Value</u>	2009 <u>Assessed Value</u>
Real Property		
Residential and Agricultural	\$ 154,058,670	\$ 154,350,100
Commercial and Industrial	20,815,720	20,998,100
Tangible Personal Property		
Public Utilities	<u>3,936,580</u>	<u>3,846,010</u>
Total	<u>\$ 178,810,970</u>	<u>\$ 179,194,210</u>

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 7 - Receivables

Receivables at June 30, 2011, 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, 2011, are presented below:

<u>Governmental Activities</u>	<u>Amount</u>
Food service	\$ 10,081
Title VI-B	11,730
Title I	16,270
Title II-D	242
Miscellaneous federal grant	<u>395</u>
Total intergovernmental receivable	<u>\$ 38,718</u>

Note 8 - Interfund Balances

Interfund balances at June 30, 2011 consisted of the following:

Due to general fund from	
Nonmajor governmental funds	\$ 52,462

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, 2011, all interfund loans outstanding are anticipated to be repaid in fiscal year 2012.

Note 9 - Interfund Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers from general fund to:	
Nonmajor governmental funds	\$ 101,985

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, 2011

Note 10 - Capital Assets

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

<u>Governmental Activities</u>	<u>Balance June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 248,900	\$ -	\$ -	\$ 248,900
Total capital assets, not being depreciated	<u>248,900</u>	<u>-</u>	<u>-</u>	<u>248,900</u>
Capital assets, being depreciated:				
Land improvements	720,764	-	-	720,764
Buildings	5,228,234	-	-	5,228,234
Furniture and equipment	1,073,842	35,284	(5,845)	1,103,281
Vehicles	768,832	95,813	-	864,645
Total capital assets, being depreciated	<u>7,791,672</u>	<u>131,097</u>	<u>(5,845)</u>	<u>7,916,924</u>
Less: Accumulated depreciation				
Land improvements	(153,125)	(10,099)	-	(163,224)
Buildings	(3,045,915)	(102,169)	-	(3,148,084)
Furniture and equipment	(898,506)	(37,517)	5,845	(930,178)
Vehicles	(590,695)	(45,810)	-	(636,505)
Total accumulated depreciation	<u>(4,688,241)</u>	<u>(195,595)</u>	<u>5,845</u>	<u>(4,877,991)</u>
Total capital assets being depreciated, net	<u>3,103,431</u>	<u>(64,498)</u>	<u>-</u>	<u>3,038,933</u>
Governmental activities capital assets, net	<u>\$ 3,352,331</u>	<u>\$ (64,498)</u>	<u>\$ -</u>	<u>\$ 3,287,833</u>

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 97,225
Special	1,163
Support services:	
Pupil	928
Instructional staff	977
Administration	1,130
Fiscal	360
Operation and maintenance of plant	37,021
Pupil transportation	47,600
Operation of non-instructional services:	
Food service operations	2,908
Community services	1,899
Extracurricular activities	<u>4,384</u>
Total depreciation expense	<u>\$ 195,595</u>

Note 11 - Long Term Obligations

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated absences	\$ 502,643	\$ 208,865	\$ 51,394	\$ 660,114	\$ 163,216
Total Long-term Liabilities	<u>\$ 502,643</u>	<u>\$ 208,865</u>	<u>\$ 51,394</u>	<u>\$ 660,114</u>	<u>\$ 163,216</u>

The compensated absences will be paid from the general and food service funds.

The School District's overall legal debt margin was \$16,092,987 with an unvoted debt margin of \$178,811 at June 30, 2011.

Note 12 - 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 districts 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 13 - 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.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to employees by Met Life through Ohio Schools' Council. The School District has contracted with Anthem BCBS-OH and Met Life to provide employee medical/surgical and dental benefits, respectively. These premiums cover medical/surgical and major medical portion of the insurance. The School Districts coverage per month is as follows:

	<u>Coverage</u>	<u>Family</u>	<u>Single</u>
Medical	Anthem	\$ 1,145.99	\$ 458.43
Dental	Met	99.47	37.00

Note 14 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$133,084, \$160,305 and \$113,069 respectively; 54.5 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Newbury Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$461,916, \$415,733 and \$432,343 respectively; 82.4 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$22,088 made by the School District and \$15,777 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, several members of the Board of Education have elected Social Security. The Board's liability is 6.2 % of wages paid. The remaining Board members contribute to SERS.

Note 15 - Post-Employment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, 2009 were \$31,864, \$20,688 and \$67,181 respectively; 71.96 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$8,564, \$9,533 and \$9,329 respectively; 45.5 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$35,532, \$31,979 and \$33,257 respectively; 82.4 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 16 - 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. Financial information can be obtained from 8140 Auburn Road, Painesville, Ohio 44077.

Lake Geauga Computer Association The Lake Geauga Computer Association (the “LGCA”) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 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 \$22,072 to the Lake Geauga Computer Association during fiscal year 2011. 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, 2011. 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.

Newbury Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Ohio Schools' Council The Ohio Schools' Council (OSC) is a jointly governed organization among school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly from September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2011, the School District paid \$350 to the Council for membership, \$400 for membership in the Cooperative Purchasing Program and \$167 for membership in the Lake Erie Media Consortium. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Note 17 - 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.

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 18 - 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, 2011.

B. Litigation

The School District is not party to any legal proceedings.

Note 19 - Set Asides

The School District is required by the state law 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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. However, the amount restricted for textbooks and instructional materials will be eliminated following the close of the fiscal year as explained below. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2011, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	Textbook Instructional Materials <u>Reserve</u>	Capital Improvements <u>Reserve</u>	Budget Stabilization <u>Reserve</u>
Set-aside reserve balance as of June 30, 2010	\$ (454,228)	\$ -	\$ 31,149
Current year set-aside requirement	96,010	96,010	-
Current year offset	-	(157,035)	-
Qualified disbursements	<u>(95,801)</u>	<u>(268,938)</u>	<u>-</u>
Total	<u>\$ (454,019)</u>	<u>\$ (329,963)</u>	<u>\$ 31,149</u>
Set-aside reserve balance carried forward to future fiscal years	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,149</u>
Set-aside reserve balance as of June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,149</u>

Newbury Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to (\$454,019) for the textbook set-aside. Effective July 1, 2011, the textbook set aside is no longer required as the obligation was repealed by the 129th General Assembly in Amended Substitute House Bill Number 30. This balance is therefore not presented as being carried forward to future fiscal year. Although, the District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

Note 20 – Accountability

As of June 30, 2011, five 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:

Fund	Amount
Special revenue funds:	
Food service	\$ 70,391
EMIS	318
Title VI-B	13,618
Title I	3,816
Miscellaneous federal grant	142

**NEWBURY LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

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

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Nutrition Cluster:</i>					
National School Lunch Program	10.555	\$ 66,174	\$ 5,018	\$ 66,174	\$ 5,018
Total Nutrition Cluster		<u>66,174</u>	<u>5,018</u>	<u>66,174</u>	<u>5,018</u>
Total U.S. Department of Agriculture		<u>66,174</u>	<u>5,018</u>	<u>66,174</u>	<u>5,018</u>
<u>U.S. Department of Education</u>					
<i>Passed Through Ohio Department of Education.</i>					
<i>Special Education Cluster:</i>					
ARRA - Special Education Grants to States	84.391	80,763	-	79,840	-
Special Education Grants to States	84.027	143,102	-	154,210	-
Total Special Education Cluster		<u>223,865</u>	<u>-</u>	<u>234,050</u>	<u>-</u>
Title I Grants to Local Educational Agencies	84.010	80,648	-	83,995	-
ARRA - State Fiscal Stabilization Fund	84.394	96,196	-	96,196	-
Innovative Education Program Strategies	84.298	-	-	61	-
Education Jobs	84.410	26,362	-	26,362	-
Education Technology State Grants	84.318	30	-	30	-
Improving Teacher Quality State Grants	84.367	<u>32,127</u>	<u>-</u>	<u>32,127</u>	<u>-</u>
<i>Total Ohio Department of Education:</i>		<u>459,228</u>	<u>-</u>	<u>472,821</u>	<u>-</u>
<i>Direct Program:</i>					
Rural Education	84.358	<u>25,737</u>	<u>-</u>	<u>25,737</u>	<u>-</u>
Total U.S. Department of Education		<u>484,965</u>	<u>-</u>	<u>498,558</u>	<u>-</u>
Total Federal Assistance		<u><u>\$551,139</u></u>	<u><u>\$5,018</u></u>	<u><u>\$ 564,732</u></u>	<u><u>\$5,018</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**NEWBURY LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE C - NATIONAL SCHOOL LUNCH PROGRAM

Federal monies received by the District for this programs are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

CFDA - Catalog of Federal Domestic Assistance



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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, each major fund, and the aggregate remaining fund information of the Newbury Local School District, Geauga County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 20, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances of the Governmental Funds due to a change in fund structure. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

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

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

Dave Yost
Auditor of State

April 20, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

April 20, 2012

**NEWBURY LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Program(list):	CFDA # 84.027/84.391 – Special Education Grants to States/ARRA CFDA # 84.394 – ARRA - State Fiscal Stabilization Fund
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 22, 2010, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

April 20, 2012

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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
MAY 8, 2012**