

***NEWTON FALLS EXEMPTED VILLAGE SCHOOL
DISTRICT***

TRUMBULL COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2011

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Education
Newton Falls Exempted Village School District
909 ½ Milton Blvd.
Newton Falls, OH 44444

We have reviewed the *Report of Independent Accountants* of the Newton Falls Exempted Village School District, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Newton Falls Exempted Village School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 29, 2012

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**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY
AUDIT REPORT
For the Year Ending June 30, 2011**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Newton Falls Exempted Village School District
Trumbull County
909 ½ Milton Blvd.
Newton Falls, OH 44444

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 Newton Falls Exempted Village School District, Trumbull 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 an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 that our audit provides a reasonable basis for our opinion.


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 Newton Falls Exempted Village School District, Trumbull County, Ohio, as of June 30, 2011, and the respective changes in financial position 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 4, the District implemented Governmental Accounting Standard Board Statement No.54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011, on our consideration of the Newton Falls Exempted Village School District, Trumbull County, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newton Falls Exempted Village School District, Trumbull County, Ohio's financial statements as a whole. The accompanying schedule of federal awards expenditures is presented for purpose of additional analysis as required by 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 financial statements. The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Charles E. Harris & Associates, Inc.

December 23, 2011

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

As management of the Newton Falls Exempted Village School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- Per the negotiated agreements classified staff received a raise of \$0.30 per hour. Certified staff did not receive raises during fiscal year 2011. Benefit insurance rates remained the same as in the prior fiscal year.
- Capital asset additions included textbooks, various pieces of furniture and fixtures and improvements to land in the form of maintenance to asphalt driveways.
- Outstanding long-term obligations decreased during fiscal year 2011 due to annual general obligation debt payments.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District. In fiscal year 2011, the School District received a designation of excellent with distinction from the Ohio Department of Education.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund. All of the funds of the School District can be divided into two categories: governmental and fiduciary.

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 balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, 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 governmental 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 financial educational programs. The relationship (or difference) 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 basic fund financial statements can be found on page 14-18 of this report.

Fiduciary Fund A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

The basic fiduciary fund financial statement can be found on page 19 of this report.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-42 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Assets for 2011 compared to 2010.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

Table 1
Net Assets
Governmental Activities

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Assets			
Current and Other Assets	\$7,677,133	\$8,182,470	(\$505,337)
Capital Assets, Net	<u>18,659,769</u>	<u>19,628,555</u>	<u>(968,786)</u>
<i>Total Assets</i>	<u>26,336,902</u>	<u>27,811,025</u>	<u>(1,474,123)</u>
Liabilities			
Current Liabilities	4,673,343	4,652,911	20,432
Long-Term Liabilities			
Due Within One Year	197,123	679,025	(481,902)
Due In More Than One Year	<u>3,376,576</u>	<u>3,549,366</u>	<u>(172,790)</u>
<i>Total Liabilities</i>	<u>8,247,042</u>	<u>8,881,302</u>	<u>(634,260)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	15,679,769	15,988,555	(308,786)
Restricted for:			
Capital Projects	544,830	622,167	(77,337)
Debt Service	220,736	777,950	(557,214)
Set Asides	357,625	241,899	115,726
Other Purposes	1,000,863	961,963	38,900
Unrestricted	<u>286,037</u>	<u>337,189</u>	<u>(51,152)</u>
<i>Total Net Assets</i>	<u>\$18,089,860</u>	<u>\$18,929,723</u>	<u>(\$839,863)</u>

Cash and cash equivalents decreased due to the School District having to use up cash balances due to less revenue coming in. The decrease in capital assets was due to an additional year of depreciation offset by current year additions.

Total liabilities decreased during fiscal year 2011 which can be attributed to annual payments on the School District's general obligation bonds as well as having less accounts and intergovernmental payables outstanding at fiscal year end.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
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Unaudited*

Table 2 shows the changes in net assets for fiscal year 2011 compared to 2010.

Table 2
Governmental Activities

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Program Revenues			
Charges for Services and Sales	\$598,745	\$674,470	(\$75,725)
Operating Grants and Contributions	2,103,150	1,802,054	301,096
<i>Total Program Revenues</i>	<u>2,701,895</u>	<u>2,476,524</u>	<u>225,371</u>
General Revenues			
Property Taxes	3,039,660	3,212,842	(173,182)
Grants and Entitlements	7,677,737	7,881,648	(203,911)
Investment Earnings	9,772	15,261	(5,489)
Miscellaneous	167,663	172,753	(5,090)
<i>Total General Revenues</i>	<u>10,894,832</u>	<u>11,282,504</u>	<u>(387,672)</u>
<i>Total Revenues</i>	<u>13,596,727</u>	<u>13,759,028</u>	<u>(162,301)</u>
Program Expenses			
Instruction:			
Regular	6,901,973	6,444,632	(457,341)
Special	1,526,894	1,724,161	197,267
Vocational	141,776	174,708	32,932
Adult/Continuing	1,000	1,000	0
Student Intervention Services	0	19,936	19,936
Support Services			
Pupils	602,280	605,418	3,138
Instructional Staff	437,343	501,423	64,080
Board of Education	117,491	90,647	(26,844)
Administration	1,049,178	1,087,042	37,864
Fiscal	297,652	286,885	(10,767)
Operation and Maintenance of Plant	1,214,712	1,258,322	43,610
Pupil Transportation	771,908	719,859	(52,049)
Central	282,762	312,558	29,796
Operation of Non-Instructional Services	35,755	99,855	64,100
Operation of Food Service	503,435	497,979	(5,456)
Extracurricular Activities	394,216	373,339	(20,877)
Interest and Fiscal Charges	158,215	185,281	27,066
<i>Total Program Expenses</i>	<u>14,436,590</u>	<u>14,383,045</u>	<u>(53,545)</u>
<i>Decrease in Net Assets</i>	(839,863)	(624,017)	(215,846)
Net Assets Beginning of Year	<u>18,929,723</u>	<u>19,553,740</u>	<u>(624,017)</u>
Net Assets End of Year	<u>\$18,089,860</u>	<u>\$18,929,723</u>	<u>(\$839,863)</u>

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs.

Typically the School District only has 26 pays per contract year. Due to the payroll date schedule, the School District had 27 pays in the fiscal 2011 contract year. As a result of this, an additional pay was accrued at fiscal year-end for the nine month employees. This additional accrual resulted in an increase in instructional expenditures. The increase in instructional expenditures can also be attributed to the expensing of various maintenance assets.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2011 compared to 2010.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2011		2010	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$6,901,973	\$6,113,628	\$6,444,632	\$5,845,232
Special	1,526,894	1,030,307	1,724,161	1,254,739
Vocational	141,776	135,745	174,708	167,146
Adult/Continuing	1,000	0	1,000	0
Student Intervention Services	0	0	19,936	9,731
Support Services:				
Pupils	602,280	514,538	605,418	553,170
Instructional Staff	437,343	259,819	501,423	320,504
Board of Education	117,491	117,491	90,647	90,647
Administration	1,049,178	765,357	1,087,042	743,186
Fiscal	297,652	293,198	286,885	286,885
Operation and Maintenance of Plant	1,214,712	1,166,465	1,258,322	1,203,003
Pupil Transportation	771,908	695,783	719,859	719,859
Central	282,762	272,761	312,558	303,413
Operation of Non-Instructional Services	35,755	(17,536)	99,855	28,858
Operation of Food Service	503,435	(25,640)	497,979	(11,523)
Extracurricular Activities	394,216	254,564	373,339	206,390
Interest and Fiscal Charges	158,215	158,215	185,281	185,281
Total	\$14,436,590	\$11,734,695	\$14,383,045	\$11,906,521

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of expenses are supported through taxes and other general revenues.

Newton Falls Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance as revenues continued to exceed expenditures, despite a decrease in property taxes and intergovernmental revenues.

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 numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was lower than the original budget estimate. The change was mainly attributed to a decrease in intergovernmental revenues.

The final budget appropriations were lower than the original budget appropriations of the general fund. The change was attributed to decreases in all expenditure categories due to lower estimated revenues expected.

Capital Assets and Long-term Liabilities

Capital Assets

Table 4 shows fiscal 2011 values compared to fiscal 2010.

Table 4
Capital Assets at June 30
Governmental Activities

	<u>2011</u>	<u>2010</u>
Land	\$58,300	\$58,300
Land Improvements	192,247	191,919
Buildings and Improvements	17,469,354	18,447,091
Furniture and Fixtures	591,522	602,308
Vehicles	118,117	153,571
Textbooks	230,229	175,366
Total Capital Assets	<u>\$18,659,769</u>	<u>\$19,628,555</u>

The decrease in capital assets was due to an additional year of depreciation offset by current year additions. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Newton Falls Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Debt

Table 5 below summarizes the School District's long-term debt outstanding obligations.

Table 5
Outstanding Debt Obligations at June 30
Governmental Activities

	<u>2011</u>	<u>2010</u>
2001 Various Purpose Improvement Bonds 3 - 5.125%	\$2,980,000	\$3,125,000
Refunding Bonds 2.75 - 4.20%	<u>0</u>	<u>515,000</u>
Total	<u><u>\$2,980,000</u></u>	<u><u>\$3,640,000</u></u>

The 2001 various purpose improvement bonds were issued to finance the construction of a new middle school, the renovation of the junior/senior high school buildings, and renovations to convert the old middle school into an elementary school. These bonds will be repaid out of the general obligation bond retirement fund. The 2001 various purpose improvement bonds mature in fiscal year 2025. The refunding bonds were issued to advance refund outstanding junior/senior high school renovation bonds. The refunding bonds were fully retired during fiscal year 2011. See Note 11 to the basic financial statements for additional information.

School District Outlook

The Board of Education and administration closely monitor 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.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to 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 Samantha Pochedly, Treasurer, at Newton Falls Exempted Village School District, 909 1/2 Milton Road, Newton Falls, Ohio 44444.

Basic Financial Statements

Newton Falls Exempted Village School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,271,667
Accounts Receivable	114
Accrued Interest Receivable	1,869
Intergovernmental Receivable	213,068
Inventory Held for Resale	12,353
Materials and Supplies Inventory	653
Property Taxes Receivable	4,177,409
Nondepreciable Capital Assets	58,300
Depreciable Capital Assets, Net	<u>18,601,469</u>
<i>Total Assets</i>	<u>26,336,902</u>
Liabilities	
Accounts Payable	64,507
Accrued Wages and Benefits	1,099,768
Intergovernmental Payable	294,674
Deferred Revenue	3,202,172
Accrued Interest Payable	12,222
Long-Term Liabilities:	
Due Within One Year	197,123
Due In More Than One Year	<u>3,376,576</u>
<i>Total Liabilities</i>	<u>8,247,042</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	15,679,769
Restricted for:	
Capital Projects	544,830
Debt Service	220,736
Set Asides	357,625
Other Purposes	1,000,863
Unrestricted	<u>286,037</u>
<i>Total Net Assets</i>	<u><u>\$18,089,860</u></u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$6,901,973	\$225,209	\$563,136	(\$6,113,628)
Special	1,526,894	49,197	447,390	(1,030,307)
Vocational	141,776	6,031	0	(135,745)
Adult/Continuing	1,000	0	1,000	0
Support Services:				
Pupils	602,280	0	87,742	(514,538)
Instructional Staff	437,343	0	177,524	(259,819)
Board of Education	117,491	0	0	(117,491)
Administration	1,049,178	0	283,821	(765,357)
Fiscal	297,652	0	4,454	(293,198)
Operation and Maintenance of Plant	1,214,712	0	48,247	(1,166,465)
Pupil Transportation	771,908	0	76,125	(695,783)
Central	282,762	0	10,001	(272,761)
Operation of Non-Instructional Services	35,755	0	53,291	17,536
Operation of Food Service	503,435	178,656	350,419	25,640
Extracurricular Activities	394,216	139,652	0	(254,564)
Interest and Fiscal Charges	158,215	0	0	(158,215)
<i>Totals</i>	<u>\$14,436,590</u>	<u>\$598,745</u>	<u>\$2,103,150</u>	<u>(11,734,695)</u>
General Revenues				
Property Taxes Levied for:				
				2,642,251
				58,591
				338,818
Grants and Entitlements not Restricted to Specific Programs				
				7,677,737
				9,772
				167,663
				<u>10,894,832</u>
				Change in Net Assets (839,863)
				<u>Net Assets Beginning of Year 18,929,723</u>
				<u>Net Assets End of Year \$18,089,860</u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,300,087	\$1,613,955	\$2,914,042
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	357,625	0	357,625
Accounts Receivable	114	0	114
Accrued Interest Receivable	1,869	0	1,869
Intergovernmental Receivable	0	213,068	213,068
Interfund Receivable	1,276	0	1,276
Inventory Held for Resale	0	12,353	12,353
Materials and Supplies Inventory	0	653	653
Property Taxes Receivable	3,671,400	506,009	4,177,409
<i>Total Assets</i>	<u>\$5,332,371</u>	<u>\$2,346,038</u>	<u>\$7,678,409</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$36,269	\$28,238	\$64,507
Accrued Wages and Benefits	983,270	116,498	1,099,768
Interfund Payable	0	1,276	1,276
Intergovernmental Payable	270,443	24,231	294,674
Deferred Revenue	3,657,231	645,667	4,302,898
<i>Total Liabilities</i>	<u>4,947,213</u>	<u>815,910</u>	<u>5,763,123</u>
Fund Balances			
Nonspendable	0	13,006	13,006
Restricted	364,545	1,540,758	1,905,303
Committed	24,230	0	24,230
Assigned	332,158	0	332,158
Unassigned (Deficit)	(335,775)	(23,636)	(359,411)
<i>Total Fund Balances</i>	<u>385,158</u>	<u>1,530,128</u>	<u>1,915,286</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,332,371</u>	<u>\$2,346,038</u>	<u>\$7,678,409</u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2011

Total Governmental Fund Balances	\$1,915,286
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,659,769
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	958,831
Intergovernmental	<u>141,895</u>
Total	1,100,726
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(12,222)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(2,980,000)
Compensated Absences	<u>(593,699)</u>
Total	<u>(3,573,699)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$18,089,860</u></u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village 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
Revenues			
Property Taxes	\$2,586,611	\$412,996	\$2,999,607
Intergovernmental	7,602,034	2,169,737	9,771,771
Interest	9,127	645	9,772
Tuition and Fees	278,588	0	278,588
Extracurricular Activities	63,770	75,882	139,652
Contributions and Donations	0	1,000	1,000
Charges for Services	0	178,656	178,656
Rentals	1,849	0	1,849
Miscellaneous	165,629	2,034	167,663
<i>Total Revenues</i>	<u>10,707,608</u>	<u>2,840,950</u>	<u>13,548,558</u>
Expenditures			
Current:			
Instruction:			
Regular	5,265,289	412,408	5,677,697
Special	1,167,932	406,161	1,574,093
Vocational	145,844	0	145,844
Adult/Continuing	0	1,000	1,000
Support Services:			
Pupils	504,974	95,000	599,974
Instructional Staff	238,132	190,043	428,175
Board of Education	117,491	0	117,491
Administration	801,683	236,281	1,037,964
Fiscal	285,796	10,916	296,712
Operation and Maintenance of Plant	892,361	343,167	1,235,528
Pupil Transportation	650,968	82,422	733,390
Central	272,886	9,876	282,762
Operation of Non-Instructional Services	0	36,704	36,704
Operation of Food Service	0	486,090	486,090
Extracurricular Activities	283,978	128,669	412,647
Capital Outlay	0	238,210	238,210
Debt Service:			
Principal Retirement	0	660,000	660,000
Interest and Fiscal Charges	0	160,526	160,526
<i>Total Expenditures</i>	<u>10,627,334</u>	<u>3,497,473</u>	<u>14,124,807</u>
<i>Expenditures of Revenue Over (Under) Expenditures</i>	<u>80,274</u>	<u>(656,523)</u>	<u>(576,249)</u>
Other Financing Sources (Uses)			
Transfers In	0	50,397	50,397
Transfers Out	(50,397)	0	(50,397)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,397)</u>	<u>50,397</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	29,877	(606,126)	(576,249)
<i>Fund Balances Beginning of Year - Restated (See Note 4)</i>	<u>355,281</u>	<u>2,136,254</u>	<u>2,491,535</u>
<i>Fund Balances End of Year</i>	<u>\$385,158</u>	<u>\$1,530,128</u>	<u>\$1,915,286</u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village 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 (\$576,249)

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 those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Outlay	181,342	
Depreciation	<u>(1,150,128)</u>	
Total		(968,786)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	40,053	
Intergovernmental	<u>8,116</u>	
Total		48,169

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 660,000

In the statement of activities interest is accrued whereas in governmental funds, an interest expenditure is reported when due. 2,311

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (5,308)

Change in Net Assets of Governmental Activities (\$839,863)

See accompanying notes to the basic financial statements

Newton Falls Exempted Village 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		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,604,513	\$2,611,542	\$2,611,542	\$0
Intergovernmental	7,744,720	7,594,530	7,602,034	7,504
Interest	13,848	10,090	10,074	(16)
Tuition and Fees	315,449	277,052	277,052	0
Rentals	775	1,849	1,849	0
Miscellaneous	149,779	161,444	161,444	0
<i>Total Revenues</i>	<u>10,829,084</u>	<u>10,656,507</u>	<u>10,663,995</u>	<u>7,488</u>
Expenditures				
Current:				
Instruction:				
Regular	5,264,057	5,108,261	5,108,261	0
Special	1,207,632	1,171,795	1,171,795	0
Vocational	173,969	168,806	168,806	0
Support Services:				
Pupils	514,564	499,295	499,295	0
Instructional Staff	242,556	235,358	235,358	0
Board of Education	151,110	146,626	146,626	0
Administration	797,456	773,792	773,792	0
Fiscal	301,017	292,344	292,344	0
Operation and Maintenance of Plant	1,008,116	978,201	978,201	0
Pupil Transportation	674,198	654,192	654,192	0
Central	280,674	272,345	272,345	0
Extracurricular Activities	219,217	212,712	212,712	0
<i>Total Expenditures</i>	<u>10,834,566</u>	<u>10,513,727</u>	<u>10,513,727</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(5,482)</u>	<u>142,780</u>	<u>150,268</u>	<u>7,488</u>
Other Financing Sources (Uses)				
Advances In	6,242	43,381	43,381	0
Advances Out	(44,731)	(13,881)	(13,881)	0
Transfers Out	(2,721)	(50,397)	(50,397)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(41,210)</u>	<u>(20,897)</u>	<u>(20,897)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(46,692)</u>	<u>121,883</u>	<u>129,371</u>	<u>7,488</u>
<i>Fund Balance Beginning of Year</i>	<u>1,208,054</u>	<u>1,208,054</u>	<u>1,208,054</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>127,070</u>	<u>127,070</u>	<u>127,070</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,288,432</u>	<u>\$1,457,007</u>	<u>\$1,464,495</u>	<u>\$7,488</u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,746</u>
Liabilities	
Due to Students	<u>\$18,746</u>

See accompanying notes to the basic financial statements

Newton Falls Exempted Village School District

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

Note 1 - Description of the School District and Reporting Entity

Newton Falls Exempted Village School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's four instructional/support facilities staffed by 57 classified employees, 84 certificated full and part-time teaching, 6 administrators and 3 supervisors who provide services to 1,461 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the 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.

Non-public Schools - Within the School District boundaries, Saint Mary and Joseph School is operated through the Youngstown Catholic Diocese. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity 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. 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 School District has no component units.

The School District participates in three jointly governed organizations and two public entity pools. The organizations are the North Eastern Ohio Management Information Network, the Trumbull County Career and Technical Center, the North East Ohio Instructional Media Center, the Ohio Schools Council Workers' Compensation Group Retrospective Rating Program and the Trumbull County Schools Employee Insurance Benefits Consortium. These organizations are presented in Notes 13 and 14 to the basic financial statements.

Newton Falls Exempted Village School District

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

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. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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, with certain limited exceptions. 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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. In reporting its financial activities, the School District uses two categories of funds: governmental and fiduciary.

Newton Falls Exempted Village 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 following are the School District's major governmental funds:

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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 fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

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.

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 fund 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.

Newton Falls Exempted Village School District

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

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. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 8). 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 fiscal 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.

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.

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 financial statements.

During fiscal year 2011, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011.

Newton Falls Exempted Village 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 \$9,127, which includes \$4,176 assigned from other School District funds.

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.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies and donated and purchased food held for resale.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for the purchase of textbooks and other instructional material and for capital improvements. See Note 20 for additional information regarding set asides.

Capital Assets

The School District’s only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand 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 capitalized.

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>Governmental Activities Estimated Lives</u>
Building and Improvements	15 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	10 - 20 years

Newton Falls Exempted Village School District

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

Interfund Balances

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

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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 the School District's past experience of making termination payments.

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, and 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.

Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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.

Fund Balance

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

Newton Falls Exempted Village School District

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

Nonspendable The 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.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes 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 Amounts in the assigned fund balance classification 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.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is 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.

Net Assets

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

Newton Falls Exempted Village School District

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

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.

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 for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund. Prior to year end the Board of Education adopted appropriations which match actual expenditures plus encumbrances and requested a certificate of estimated resources to match actual revenues.

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 amended certificate when the original and final appropriations were passed by the Board of Education.

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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Newton Falls Exempted Village School District

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

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 resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>			
Inventory	\$0	\$13,006	\$13,006
<i>Restricted for</i>			
Food Service Operations	0	40,555	40,555
Special Trusts	0	1,324	1,324
Classroom Facilities Maintenance	0	413,380	413,380
Athletics	0	5,514	5,514
Auxiliary Services	0	28,691	28,691
Data and Information Systems	0	12,839	12,839
State Equity Grants	0	156,176	156,176
State Fiscal Stabilization	0	214,389	214,389
Technology Integration Training	0	100	100
Debt Service Payments	0	122,960	122,960
Closed Grants	6,920	0	6,920
Textbooks	179,746	0	179,746
Capital Improvements	177,879	544,830	722,709
<i>Total Restricted</i>	364,545	1,540,758	1,905,303
<i>Committed to</i>			
Other Purposes	24,230	0	24,230
<i>Assigned to</i>			
Other Purposes	332,158	0	332,158
<i>Unassigned (Deficit)</i>	(335,775)	(23,636)	(359,411)
<i>Total Fund Balances</i>	<u>\$385,158</u>	<u>\$1,530,128</u>	<u>\$1,915,286</u>

Note 4 – Change in Accounting Principles and Restatement of Fund Balance

Change in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59, “Financial Instruments Omnibus”.

Newton Falls Exempted Village School District

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

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District’s financial statements.

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.

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance at June 30, 2010	\$314,509	\$2,177,026	\$2,491,535
Change in Fund Structure	<u>40,772</u>	<u>(40,772)</u>	<u>0</u>
Adjusted Fund Balance at June 30, 2010	<u>\$355,281</u>	<u>\$2,136,254</u>	<u>\$2,491,535</u>

Note 5 – Accountability

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

Special Revenue Funds

Title VI-B	\$17,277
Title I	3,066
Class Size Reduction	3,293

The special revenue funds’ deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Note 6 - 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-

Newton Falls Exempted Village School District

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GAAP Basis) and Actual 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 that:

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. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the public school support fund are classified to general fund for GAAP Reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund:

	<u>General</u>
GAAP Basis	\$29,877
Net Adjustment for Revenue Accruals	24,342
Advances In	43,381
Excess of revenues and other financing sources and over (under) expenditures and other financing uses:	
Public School Support	(3,386)
Net Adjustment for Expenditure Accruals	199,712
Advances Out	(13,881)
Encumbrances	(150,674)
Budget Basis	<u>\$129,371</u>

Note 7 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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.

Newton Falls Exempted Village School District

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

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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$514,508 of the School District's bank balance of \$2,608,971 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Newton Falls Exempted Village School District

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The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2011, the School District had STAR Ohio as the only investment with an amount of \$671,081 and a maturity of 58.3 days.

Interest Rate Risk. As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Note 8 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's 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 property, public utility property and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 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 are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 become 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.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009.

Newton Falls Exempted Village School District

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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 by 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 Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility 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 \$14,169 in the general fund, \$355 in the classroom facilities maintenance special revenue fund and \$1,882 in the bond retirement fund. The amount available as an advance at June 30, 2010, was \$39,100 in the general fund, \$1,242 in the classroom facilities maintenance special revenue fund and \$6,166 in the bond retirement fund.

On a full 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 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$120,181,990	98.46%	\$120,866,850	98.56%
Public Utility Personal	1,667,780	1.37	1,761,050	1.44
General Business Personal	207,495	0.17	0	0.00
Total	<u>\$122,057,265</u>	<u>100.00%</u>	<u>\$122,627,900</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$40.15		\$37.95	

Note 9 - Receivables

Receivables at June 30, 2011, consisted of taxes, accounts (rent and student fees), interfund and intergovernmental grants. 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 except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Newton Falls Exempted Village School District

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For the Fiscal Year Ended June 30, 2011*

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Title I	\$150,775
Title VI-B	44,976
Class Size Reduction	16,451
Title II-D	866
Total	\$213,068

Note 10 – Capital Assets

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

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Nondepreciable Capital Assets				
Land	\$58,300	\$0	\$0	\$58,300
Depreciable Capital Assets				
Land Improvements	256,092	13,470	0	269,562
Buildings and Improvements	28,201,981	3,007	0	28,204,988
Furniture and Fixtures	1,279,154	91,047	(5,986)	1,364,215
Vehicles	850,647	0	0	850,647
Textbooks	783,354	73,818	0	857,172
<i>Total at Historical Cost</i>	<u>31,371,228</u>	<u>181,342</u>	<u>(5,986)</u>	<u>31,546,584</u>
Less: Accumulated Depreciation				
Land Improvements	(64,173)	(13,142)	0	(77,315)
Buildings and Improvements	(9,754,890)	(980,744)	0	(10,735,634)
Furniture and Fixtures	(676,846)	(101,833)	5,986	(772,693)
Vehicles	(697,076)	(35,454)	0	(732,530)
Textbooks	(607,988)	(18,955)	0	(626,943)
<i>Total Accumulated Depreciation</i>	<u>(11,800,973)</u>	<u>(1,150,128) *</u>	<u>5,986</u>	<u>(12,945,115)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>19,570,255</u>	<u>(968,786)</u>	<u>0</u>	<u>18,601,469</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$19,628,555</u>	<u>(\$968,786)</u>	<u>\$0</u>	<u>\$18,659,769</u>

Newton Falls Exempted Village 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	\$1,050,152
Special	4,589
Vocational	16
Support Services	
Instructional Staff	15,328
Administration	6,129
Fiscal	735
Operation and Maintenance of Plant	13,131
Pupil Transportation	35,909
Operation of Food Service	19,335
Extracurricular Activities	4,804
Total Depreciation Expense	<u>\$1,150,128</u>

Note 11 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	Principal Outstanding June 30, 2010	Additions	Deductions	Principal Outstanding June 30, 2011	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
2001 3-5.125%					
Various Purpose Improvement Bonds	\$3,125,000	\$0	(\$145,000)	\$2,980,000	\$155,000
2001 2.75-4.20%					
Refunding Bonds	515,000	0	(515,000)	0	0
<i>Total General Obligation Bonds</i>	<u>3,640,000</u>	<u>0</u>	<u>(660,000)</u>	<u>2,980,000</u>	<u>155,000</u>
Other Long-term Obligations					
Compensated Absences	588,391	26,663	(21,355)	593,699	42,123
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$4,228,391</u>	<u>\$26,663</u>	<u>(\$681,355)</u>	<u>\$3,573,699</u>	<u>\$197,123</u>

In 2002, the School District issued \$3,989,000 in various purpose improvement general obligation bonds which included serial and capital appreciation (deep discount) bonds in the amount of \$3,885,002 and \$103,998, respectively. The general obligation bonds were issued for the purpose of the construction of a new middle school, the renovation of the junior/senior high school building and renovations to convert the old middle school into an elementary school. The bonds were issued for a thirty-three year period with final maturity at December 1, 2024. The general obligation bonds will be retired from the debt service fund.

In 2002, the School District issued \$4,194,995 in general obligation bonds which included serial and retired capital appreciation (deep discount) bonds in the amount of \$4,005,001 and \$189,994, respectively. The general obligation bonds were issued for the purpose of refunding \$4,195,000 of outstanding junior and senior high school renovation bonds to take advantage of lower interest rates. These bonds were fully retired during fiscal year 2011.

Newton Falls Exempted Village School District

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The proceeds of the new bonds were placed in an irrevocable trust to provide for all future payments debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District’s financial statements. At June 30, 2011, none of the defeased bonds remain outstanding.

Compensated absences will be paid from the general fund and the food service, title VI-B, title I and class size reduction grants special revenue funds.

The overall debt margin of the School District as of June 30, 2011, was \$8,179,471 with an unvoted debt margin of \$122,628. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds	
	Serial	
	Principal	Interest
2012	\$155,000	\$143,256
2013	160,000	136,246
2014	165,000	128,851
2015	175,000	120,944
2016	180,000	112,511
2017 - 2021	1,090,000	411,560
2022 - 2025	1,055,000	110,735
Total	<u>\$2,980,000</u>	<u>\$1,164,103</u>

Note 12 - Interfund Transfers and Balances

Interfund Transfers

The general fund made transfers to the miscellaneous local grants and the athletics special revenue funds in the amounts of \$2 and \$50,395, respectively. The transfers were made to help provide funding for fiscal year 2011.

Interfund Balances

Interfund balances at June 30, 2011, consist of an interfund receivable/payable between the general fund and the nonmajor governmental funds in the amount of \$1,276. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

Note 13 - Jointly Governed Organizations

North Eastern Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Newton Falls Exempted Village School District paid \$33,612 to NEOMIN during fiscal year 2011.

Newton Falls Exempted Village School District

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The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent or NEOMIN). The Newton Falls Exempted Village School District was not represented on the Governing Board during fiscal year 2011. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Trumbull County Career and Technical Center The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Trumbull County Joint Vocational School, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

North East Ohio Instructional Media Center The North East Ohio Instructional Medial Center (NEOIMC) is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the School District. Each member pays a monthly premium based on the use of media materials.

NEOIMC is governed by the advisory committee made up a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2011, Newton Falls Exempted Village School District contributed \$1,170 which is \$1.50 per student. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Note 14 – Public Entity Pool

Insurance Purchasing Pool

Ohio Schools Council Workers' Compensation Group Retrospective Rating Program The School District participates in the Ohio Schools Council Group Retrospective Rating Program, an insurance purchasing pool. Each district supports the Council by paying an annual participation fee. The program was created for the purpose of reducing the cost of workers' compensation premiums.

Shared Risk Pool

Trumbull County Schools Employee Insurance Benefits Consortium The School District participates in the Trumbull County Schools Employee Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
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Note 15 - Risk Management

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. During fiscal year 2011, the School District contracted for the following insurance coverage:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Gibson-DeGoode Agency, Ohio Casualty Insurance	General Liability, in aggregate	\$3,000,000
	General Liability, per occurrence	1,000,000
	Stop Gap, per occurrence	1,000,000
	Errors, Omissions and Employment Practices Injury, limit	1,000,000
	Errors, Omissions and Employment Practices Injury, in aggregate with \$2,500 deductible	2,000,000
	Excess Liability, per occurrence	1,000,000
	Fleet Per Accident, Limit	1,000,000
	Fleet Bodily harm, Limit	500,000
	Fleet Bodily harm, Deductible depending on injury	100 - 250

The School District has contracted with the Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical, dental, and prescription drug benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The Newton Falls Exempted Village School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays medical/prescription drug premiums of \$1,112 for family coverage and \$427 for single coverage per employee per month. If the School District were to withdraw from the consortium, there would be no liability because premium levels fund a reserve for subsequent claim payments. The School District provides dental coverage through Coresource which is not paid through the Trumbull County School Employee Insurance Benefits Consortium.

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.

Worker's Compensation

For fiscal year 2011, the School District participated in the Ohio Schools Council Workers' Compensation Group Retrospective Rating Program, an insurance purchasing pool (Note 14). The intent of the program is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the program. The participating school districts pay experience or rate based premiums to the Bureau of Workers' Compensation (BWC). The total premium for the entire group is the standard premium of the group. The BWC recalculates the group retrospective premium 12 months after the end of the policy year, based on developed incurred claim losses. If the new calculated premium is lower than the standard premium, the BWC will distribute a refund to the school districts in the group. Participation in the program is limited to school districts that can meet the Ohio Schools Council's

Newton Falls Exempted Village School District

*Notes to the Basic Financial Statements
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selection criteria. The firm of Sheakley provides administrative, cost control, and actuarial services for the program.

Note 16 – Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$170,458, \$185,113 and \$126,162 respectively. For fiscal year 2011, 95.37 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 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

Newton Falls Exempted Village School District

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taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. 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. 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.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$638,513 and \$4,979 for the fiscal year ended June 30, 2011, \$641,738 and \$10,068 for the fiscal year ended June 30, 2010, and \$612,672 and \$4,284 for the fiscal year ended June 30, 2009. For fiscal year 2011, 86.0 percent has been contributed for the DB plan and 86.0 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$7,068 made by the School District and \$5,048 made by the plan members. In addition, member contributions of \$3,556 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

Note 17 – Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit OPEB plans administrated 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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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. During fiscal year 2011, the School District paid \$21,952 in surcharge.

Newton Falls Exempted Village School District

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

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 and 2009 were \$20,640, \$28,615 and \$57,929 respectively. For fiscal year 2011, 95.37 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 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 \$10,969, \$11,008 and \$10,862 respectively. For fiscal year 2011, 95.37 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, 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 post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$49,116, \$49,364 and \$47,129 respectively. For 2011, 86.0 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

Note 18 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers and most administrators do not earn vacation. The Superintendent and the Treasurer earn 20 days of vacation annually and may be paid up to 7 days of unused vacation at the end of each year. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Teachers, administrators and classified employees who reach 200 days of accumulated sick leave, may store up to 10 days of personal leave as an addition to their sick leave severance. Upon retirement and having been employed by the School District for at least ten years, all employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 50 days for classified employees and 55 days for certificated employees.

Newton Falls Exempted Village School District

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

Life Insurance Benefits

The School District provides life insurance to most employees through Fort Dearbon Life Insurance, Inc., in the amount of \$50,000 for all employees who work more than twenty-five hours per week. Premiums are paid for by the Board of Education.

Note 19 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. 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.

Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 20 - Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Improvements</u>	<u>Instructional Materials</u>
Set Aside Balance as of June 30, 2010	\$115,952	\$125,947
Current Year Set-aside Requirement	211,562	211,562
Qualifying Disbursements	(149,635)	(157,763)
Total	<u>\$177,879</u>	<u>\$179,746</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$177,879</u>	<u>\$0</u>
Set Aside Balance as of June 30, 2011	<u>\$177,879</u>	<u>\$179,746</u>

The total restricted for set-asides at the end of the fiscal year was \$357,625. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This balance is therefore not presented as being carried forward to future fiscal years.

Newton Falls Exempted Village School District

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

Note 18 – Compliance

Contrary to Ohio Revised Code section 5705.39, the District had appropriations in excess of estimated resources in several funds. Contrary to Section 5705.41(b), the District had expenditures plus encumbrances in excess of appropriations in several funds.

NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For The Fiscal Year Ended June 30, 2011

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Program Year	Federal Receipts	Federal Disbursements
<u>U.S. DEPARTMENT OF EDUCATION:</u>				
Passed Through Ohio Department of Education:				
Title II-A	84.367	2010	\$ 9,968	\$ 9,968
Title II-A	84.367	2011	64,381	64,031
Total Title II-A			74,349	73,999
ARRA - Title I	84.389	2010	9,963	9,963
ARRA - Title I	84.389	2011	29,001	28,395
Title I	84.010	2010	37,243	37,243
Title I	84.010	2011	252,018	244,611
Total Title I			328,225	320,212
ARRA - Title VI - B - FY 10	84.391	2010	136,061	136,061
ARRA - Title VI - B - FY 11	84.391	2011	88,563	85,665
Special Education-IDEA B	84.027	2010	38,043	38,043
Special Education-IDEA B	84.027	2011	280,771	280,771
Total Special Education			543,438	540,540
Education State Grants, Recovery Act (Education Stabilization Fund)	84.394	2010	590,063	474,655
School Improvement Grants	84.377	2011	120,000	120,000
Title II-D	84.318	2010	1,030	1,030
Title II-D	84.318	2011	220	120
Total Title II-D			1,250	1,150
TOTAL U.S. DEPARTMENT OF EDUCATION			1,657,325	1,530,556
<u>U. S. DEPARTMENT OF AGRICULTURE:</u>				
Passed Through Ohio Department of Education:				
NSLP Cafeteria Equipment	10.579	2011	2,694	-
Nutrition Cluster:				
Passed Through Ohio Department of Education:				
Cash Assistance:				
School Breakfast Program	10.553	2011	54,559	54,559
National School Lunch Program	10.555	2011	251,431	251,431
Direct Program:				
Non-Cash Assistance:				
National School Lunch Program - Note 2	10.555	2010	62,819	62,819
Total Nutrition Cluster			368,809	368,809
TOTAL U. S. DEPARTMENT OF AGRICULTURE			371,503	368,809
TOTAL FEDERAL ASSISTANCE			\$ 2,028,828	\$ 1,899,365

See Notes to the Schedule of Federal Awards Expenditures

NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
Trumbull County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2011

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Newton Falls Exempted Village School District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Non-monetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2011, the District had food commodities in inventory recorded in the Food Service Fund.

3. Matching Requirements

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Newton Falls Exempted Village School District
Trumbull County
909 ½ Milton Blvd.
Newton Falls, OH 44444

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 Newton Falls Exempted Village School District, (District), Trumbull County, Ohio, 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 December 23, 2011, wherein we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing 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.

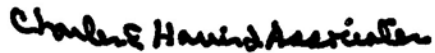
Compliance and Other Matters

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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items NFEVSD-2011-01 and 02.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and accordingly, we express no opinion on them.

We also noted certain matters that we reported to management of the District in a separate letter dated December 23, 2011.

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

A handwritten signature in black ink that reads "Charles E. Harris and Associates". The signature is written in a cursive, slightly slanted style.

Charles E. Harris and Associates, Inc.

December 23, 2011

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Newton Falls Exempted Village School District
Trumbull County
909 ½ Milton Blvd.
Newton Falls, OH 44444

To the Board of Education:

Compliance

We have audited the Newton Falls Exempted Village School District, Trumbull County, Ohio's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Newton Falls Exempted Village School District, Trumbull County, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance


Management of the Newton Falls Exempted Village School District, Trumbull County, Ohio, 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 internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 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.

However, we noted certain matters involving federal compliance not requiring inclusion in this report, that we have reported to management of the District in a separate letter dated December 23, 2011.

This report is intended solely for the information and use of management, the Board of Education, the audit committee, others within the entity, federal awarding agencies, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CHARLES E. HARRIS & ASSOCIATES, INC.
December 23, 2011

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**Newton Falls Exempted Village School District
Trumbull County
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	ARRA - State Fiscal Stabilization Fund - CFDA# 84.394 Title VI-B - CFDA# 84.027 ARRA - Title VI-B - CFDA# 84.391 Title I - CFDA# 84.010 ARRA - Title I - CFDA# 84.389 Nutrition Cluster: School Breakfast - CFDA# 10.553 National School Lunch - CFDA# 10.555 Donated Commodities - CFDA# 10.555
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

SCHEDULE OF FINDINGS - (continued)
OMB CIRCULAR A-133 SECTION .505

Newton Falls Exempted Village School District
 Trumbull County
 June 30, 2011

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

FINDING NUMBER NFEVSD-2011-01 – Noncompliance citation

Appropriations Exceeded Estimated Resources

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..." Contrary to this requirement, the appropriations exceeded the available resources for the following funds in 2011:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue Fund - Other Grants	\$ 4	\$ 2,871	\$ (2,867)
Special Revenue Fund - IDEA Part B Grants	450,952	540,153	(89,201)
Special Revenue Fund - IDEA II D	731	1,150	(419)

Management’s Response: The District will monitor appropriations versus estimated resources more closely.

FINDING NUMBER NFEVSD-2011-02 – Noncompliance citation

Expenditures and Encumbrances Exceed Appropriations

Section 5705.41 (D), Revised Code, requires encumbrances be charged against proper appropriations. Section 5705.41 (B), Revised Code, prohibits the District from making an expenditure unless it has been properly appropriated. At June 30, 2011, the following funds had expenditures and encumbrances in excess of appropriations:

	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 10,077,005	\$ 10,087,456	\$ (10,451)
<u>Special Revenue Funds:</u>			
Emergency Levy	480,152	490,549	(10,397)
Public School Support	66,426	67,584	(1,158)
Classroom facilities maintenance	389,874	425,476	(35,602)
Auxillary Non Public	26,721	30,857	(4,136)
Title I Disadvantages Children	337,810	348,743	(10,933)
Cafeteria	438,836	443,257	(4,421)

Management’s Response: The District will monitor appropriations versus actual expenditure more closely.

SCHEDULE OF FINDINGS - (continued)
OMB CIRCULAR A-133 SECTION .505

Newton Falls Exempted Village School District
Trumbull County
June 30, 2011

3. FINDINGS FOR FEDERAL AWARDS

None.

NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain: Per ADAM 2001-10-Disclose the current year finding in this schedule
2010-01	Appropriations Exceeded Estimated Resources - Ohio Revised Code Section 5705.39	No	Not Corrected Repeated as NFEVSD-2011-01

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

**Newton Falls Exempted Village School District
Trumbull County
909 ½ Milton Blvd.
Newton Falls, OH 44444**

To the Board of Education:

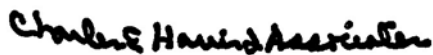
Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall 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 Newton Falls Exempted Village School 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.

We noted the Board of Education amended its anti-harassment policy at its meeting on April 15, 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 management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



Charles E. Harris & Associates, Inc.
December 23, 2011

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Dave Yost • Auditor of State

NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT

TRUMBULL 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
APRIL 10, 2012**