

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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 Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, as of June 30, 2006, and the respective changes in financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is 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 basic financial statements. We subjected the federal awards receipt and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

January 29, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The management's discussion and analysis of the Newcomerstown Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$134,327 which represents a 0.91% increase from 2005.
- General revenues accounted for \$9,565,586 in revenue or 84.24% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$1,788,966 or 15.76% of total revenues of \$11,354,552.
- The District had \$11,220,225 in expenses related to governmental activities; \$1,788,966 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,565,586 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$9,030,956 in revenues and \$8,408,636 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance increased \$622,320 from a deficit balance of \$220,272 to a balance of \$402,048.
- The District's debt service fund had \$308,105 in revenues and \$324,007 in expenditures. During fiscal year 2006, the debt service fund's fund balance decreased \$15,902 from \$444,405 to \$428,503.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-55 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2006 and 2005.

	Net Assets	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 5,548,866	\$ 4,776,024
Capital assets	<u>17,494,503</u>	<u>18,217,663</u>
Total assets	<u>23,043,369</u>	<u>22,993,687</u>
<u>Liabilities</u>		
Current liabilities	4,015,916	3,949,170
Long-term liabilities	<u>4,063,518</u>	<u>4,214,909</u>
Total liabilities	<u>8,079,434</u>	<u>8,164,079</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	13,887,713	14,404,905
Restricted	1,188,264	1,091,789
Unrestricted (deficit)	<u>(112,042)</u>	<u>(667,086)</u>
Total net assets	<u>\$ 14,963,935</u>	<u>\$ 14,829,608</u>

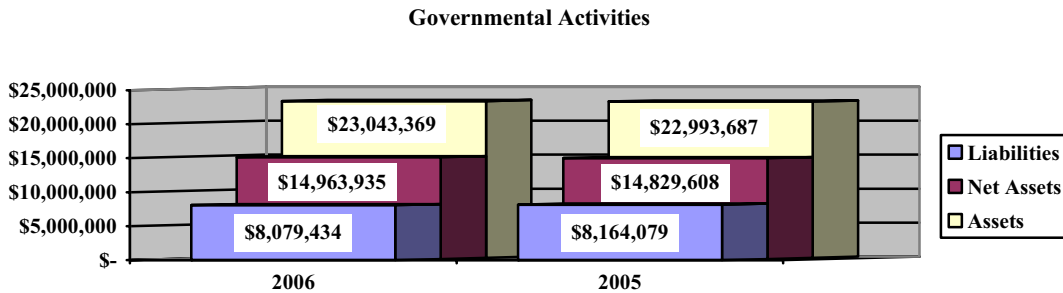
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$14,963,935. Of this total, \$1,188,264 is restricted in use.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

At year-end, capital assets represented 75.92% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$13,887,713. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,188,264, represents resources that are subject to external restriction on how they may be used. The remaining deficit balance of unrestricted net assets is \$112,042.



The table below shows the change in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 452,628	\$ 476,532
Operating grants and contributions	1,325,074	1,564,586
Capital grants and contributions	11,264	-
General revenues:		
Property taxes	3,198,983	2,544,405
Grants and entitlements	6,111,667	6,058,474
Investment earnings	62,099	16,640
Other	<u>192,837</u>	<u>200,233</u>
Total revenues	<u>11,354,552</u>	<u>10,860,870</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Change in Net Assets

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,417,057	\$ 4,316,728
Special	1,173,760	1,059,620
Vocational	89,251	86,050
Other	145,213	131,084
Support services:		
Pupil	313,251	270,414
Instructional staff	724,735	638,906
Board of education	32,133	26,453
Administration	891,850	879,072
Fiscal	269,543	251,375
Operations and maintenance	1,380,260	1,389,641
Pupil transportation	465,229	318,551
Central	4,693	-
Food service operations	537,169	521,833
Operations of non-instructional services	76,028	11,888
Extracurricular activities	482,633	336,161
Interest and fiscal charges	<u>217,420</u>	<u>228,604</u>
Total expenses	<u>11,220,225</u>	<u>10,466,380</u>
Change in net assets	134,327	394,490
Net assets at beginning of year	<u>14,829,608</u>	<u>14,435,118</u>
Net assets at end of year	<u>\$ 14,963,935</u>	<u>\$ 14,829,608</u>

Governmental Activities

Net assets of the District's governmental activities increased \$134,327. Total governmental expenses of \$11,220,225 were offset by program revenues of \$1,788,966 and general revenues of \$9,565,586. Program revenues supported 15.94% of the total governmental expenses.

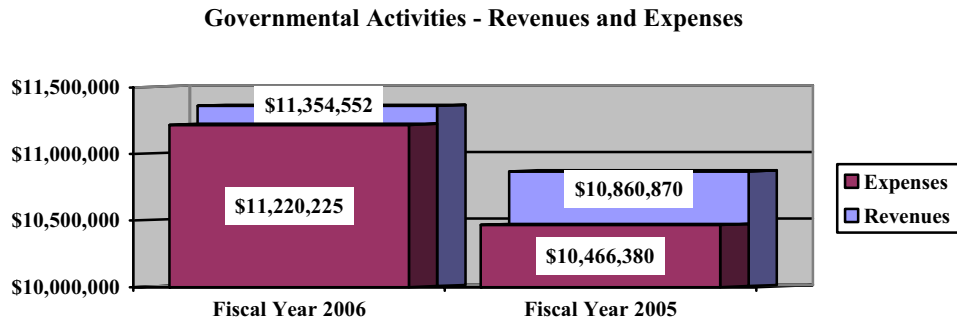
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 82.00% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,825,281 or 51.92% of total governmental expenses for fiscal 2006.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.



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

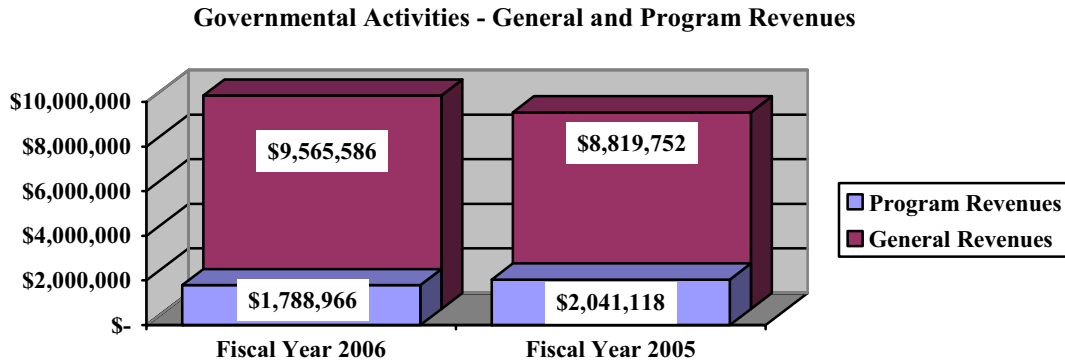
	Governmental Activities			
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program expenses				
Instruction:				
Regular	\$ 4,417,057	\$ 4,093,698	\$ 4,316,728	\$ 3,930,491
Special	1,173,760	811,675	1,059,620	715,233
Vocational	89,251	89,251	86,050	86,050
Other	145,213	141,640	131,084	130,965
Support services:				
Pupil	313,251	296,215	270,414	254,587
Instructional staff	724,735	397,784	638,906	378,759
Board of education	32,133	26,111	26,453	20,083
Administration	891,850	885,260	879,072	872,491
Fiscal	269,543	264,543	251,375	246,375
Operations and maintenance	1,380,260	1,377,611	1,389,641	1,089,138
Pupil transportation	465,229	452,905	318,551	309,860
Central	4,693	4,214	-	-
Food service operations	537,169	21,850	521,833	40,866
Operations of non-instructional services	76,028	1,868	11,888	(45)
Extracurricular activities	482,633	349,214	336,161	121,805
Interest and fiscal charges	217,420	217,420	228,604	228,604
Total expenses	<u>\$ 11,220,225</u>	<u>\$ 9,431,259</u>	<u>\$ 10,466,380</u>	<u>\$ 8,425,262</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 88.17% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.06%. The District's taxpayers and grants and entitlements, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,038,212 which is higher than last year's fund balance of \$568,558. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Fund Balance (Deficit) June 30, 2005	Increase (Decrease)	Percentage Change
General	\$ 402,048	\$ (220,272)	\$ 622,320	282.52 %
Debt Service	428,503	444,405	(15,902)	(3.58) %
Other Governmental	<u>207,661</u>	<u>344,425</u>	<u>(136,764)</u>	(39.71) %
Total	<u>\$ 1,038,212</u>	<u>\$ 568,558</u>	<u>\$ 469,654</u>	82.60 %

General Fund

The District's general fund balance increased \$622,320. The increase in fund balance can be attributed to several items related to increasing revenues still outpacing increased expenditures. Revenues exceed expenditures for fiscal year 2006 by \$647,988. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,788,710	\$ 2,182,666	\$ 606,044	27.77 %
Earnings on investments	61,576	15,718	45,858	291.75 %
Intergovernmental	6,064,525	6,016,152	48,373	0.80 %
Other revenues	<u>116,145</u>	<u>134,971</u>	<u>(18,826)</u>	<u>(13.95) %</u>
Total	<u>\$ 9,030,956</u>	<u>\$ 8,349,507</u>	<u>\$ 681,449</u>	<u>8.16 %</u>
<u>Expenditures</u>				
Instruction	\$ 4,733,005	\$ 4,446,154	\$ 286,851	6.45 %
Support services	3,521,694	3,224,698	296,996	9.21 %
Non-instructional services	2,063	2,252	(189)	(8.39) %
Extracurricular activities	126,206	119,061	7,145	6.00 %
Facilities acquisition and construction	<u>-</u>	<u>330,268</u>	<u>(330,268)</u>	<u>(100.00) %</u>
Total	<u>\$ 8,382,968</u>	<u>\$ 8,122,433</u>	<u>\$ 260,535</u>	<u>3.21 %</u>

Debt Service Fund

The District's debt service fund had \$308,105 in revenues and \$324,007 in expenditures. During fiscal year 2006, the debt service fund's fund balance decreased \$15,902 from \$444,405 to \$428,503.

General Fund Budgeting Highlights

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

During the course of fiscal 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,717,323 and final budgeted revenues and other financing sources were \$9,304,060. Actual revenues and other financing sources for fiscal 2006 was \$9,319,828. This represents a \$15,768 increase over final budgeted revenues. This increase is due to a higher amount of transfers in than budgeted for as well as various other revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$9,316,856 were increased to \$9,903,593 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$9,115,273, which was \$788,320 less than the final budget appropriations. This decrease in actual expenditures is mostly due to a control over instructional and support expenditures that ended up being lower than budgeted.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$17,494,503 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2006	2005
Land	\$ 121,788	\$ 121,788
Land improvements	1,225,663	1,318,144
Building and improvements	15,296,012	15,747,768
Furniture and equipment	668,622	865,536
Vehicles	182,418	164,427
Total	\$ 17,494,503	\$ 18,217,663

The overall decrease in capital assets of \$723,160 is due to depreciation expense of \$808,380 exceeding capital outlays of \$85,220 in the fiscal year.

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

Debt Administration

At June 30, 2006, the District had \$2,895,000 in general obligation bonds outstanding. Of this total, \$155,000 is due within one year and \$2,740,000 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2006	2005
General obligation bonds	\$ 2,895,000	\$ 3,045,000
Total	\$ 2,895,000	\$ 3,045,000

At June 30, 2005, the District's overall legal debt margin was \$6,077,455, and an unvoted debt margin of \$94,933.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Current Financial Related Activities

The District has been very frugal and has carefully managed its General Fund budget in order to get the maximum value for the tax dollars available for educating the students of the Newcomerstown Exempted Village School District. The District has struggled financially over the last few years. Over the last four years the District has cut 1.8 million dollars from the District budget and the District has eliminated almost 50 full-time and extra-curricular positions in order to stay fiscally solvent. The District passed an 8 mill, five year emergency levy in February 2005 special election (by a vote of 58% to 42%). This was the fourth try for additional operating revenue in the last few years and this is the first new, additional operating funds the District has received in the last 13 years. The levy generates \$750,000.00 annually.

The District's five year forecast is brighter because of the levy passing. It is projected that the District will be fiscally solvent up to, but not including fiscal year 2009. The certified and classified associations have taken steps to help the District through these financially difficult times. Both associations have taken a zero percent pay increase in the last three years. The District settled a three year contract on wages and insurances with both the certified and classified associations. The contract expires on June 30, 2008.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1977, the State has directed additional revenue growth toward the support of School Districts with little property tax wealth. In May of 2002, the Ohio Supreme Court again ruled that, while the State had made progress, the current funding system for schools is far too dependent on property taxes, which are inherently not "equitable" nor "adequate." The court directed the Governor and the legislature to address the fundamental issues creating the inequities. In September 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional. The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that change be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. In March 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court. At this time the School District is unable to determine what effect, if any, this decision will have on its State funding and its financial operations.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,283,302
Receivables:	
Taxes	3,142,071
Accounts	3,183
Intergovernmental	46,810
Accrued interest	4,271
Prepayments	59,119
Materials and supplies inventory	10,110
Capital assets:	
Land	121,788
Depreciable capital assets, net	17,372,715
Capital assets, net.	<u>17,494,503</u>
 Total assets.	 <u>23,043,369</u>
Liabilities:	
Accounts payable.	41,950
Accrued wages and benefits	919,552
Pension obligation payable.	204,494
Intergovernmental payable	53,466
Deferred revenue	2,573,581
Accrued interest payable	13,385
Claims payable	209,488
Long-term liabilities:	
Due within one year.	252,942
Due within more than one year	3,810,576
Total liabilities	<u>8,079,434</u>
Net Assets:	
Invested in capital assets, net of related debt.	13,887,713
Restricted for:	
Debt service.	432,931
Capital projects.	160,843
Permanent fund:	
Expendable.	2,759
Classroom facilities maintenance	181,149
Locally funded programs	107
State funded programs	23,321
Federally funded programs	118,687
Student activities	14,065
Other purposes.	254,402
Unrestricted (deficit).	<u>(112,042)</u>
 Total net assets	 <u>\$ 14,963,935</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 4,417,057	\$ 64,873	\$ 258,486	\$ -	\$ (4,093,698)
Special	1,173,760	-	362,085	-	(811,675)
Vocational	89,251	-	-	-	(89,251)
Other	145,213	-	3,573	-	(141,640)
Support services:					
Pupil	313,251	-	17,036	-	(296,215)
Instructional staff	724,735	-	315,687	11,264	(397,784)
Board of education	32,133	6,022	-	-	(26,111)
Administration	891,850	-	6,590	-	(885,260)
Fiscal	269,543	-	5,000	-	(264,543)
Operations and maintenance	1,380,260	1,301	1,348	-	(1,377,611)
Pupil transportation	465,229	-	12,324	-	(452,905)
Central	4,693	-	479	-	(4,214)
Operation of non-instructional services:					
Food service operations	537,169	195,884	319,435	-	(21,850)
Other non-instructional services	76,028	74,160	-	-	(1,868)
Extracurricular activities	482,633	110,388	23,031	-	(349,214)
Interest and fiscal charges	217,420	-	-	-	(217,420)
Total governmental activities	\$ 11,220,225	\$ 452,628	\$ 1,325,074	\$ 11,264	(9,431,259)

General Revenues:

Property taxes levied for:	
General purposes	2,846,557
Special revenue	39,090
Debt service	269,599
Capital projects	43,737
Grants and entitlements not restricted to specific programs	6,111,667
Investment earnings	62,099
Miscellaneous	192,837
Total general revenues	9,565,586
Change in net assets	134,327
Net assets at beginning of year	14,829,608
Net assets at end of year	\$ 14,963,935

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 596,720	\$ 395,804	\$ 564,079	\$ 1,556,603
Receivables:				
Taxes	2,816,062	249,732	76,277	3,142,071
Accounts	2,937	-	246	3,183
Intergovernmental	-	-	46,810	46,810
Accrued interest	4,271	-	-	4,271
Due from other funds	228,888	-	-	228,888
Prepayments	59,119	-	-	59,119
Materials and supplies inventory	-	-	10,110	10,110
Restricted assets:				
Equity in pooled cash and cash equivalents	254,517	-	-	254,517
Total assets	<u>\$ 3,962,514</u>	<u>\$ 645,536</u>	<u>\$ 697,522</u>	<u>\$ 5,305,572</u>
Liabilities:				
Accounts payable	\$ 32,811	\$ -	\$ 9,139	\$ 41,950
Accrued wages and benefits	795,668	-	123,884	919,552
Compensated absences payable	15,858	-	-	15,858
Pension obligation payable	189,398	-	15,096	204,494
Intergovernmental payable	47,530	-	5,936	53,466
Due to other funds	-	-	228,888	228,888
Deferred revenue	2,479,201	217,033	106,918	2,803,152
Total liabilities	<u>3,560,466</u>	<u>217,033</u>	<u>489,861</u>	<u>4,267,360</u>
Fund Balances:				
Reserved for encumbrances	239,513	-	102,052	341,565
Reserved for materials and supplies inventory	-	-	10,110	10,110
Reserved for prepayments	59,119	-	-	59,119
Reserved for property tax unavailable for appropriation	336,870	32,699	8,703	378,272
Reserved for debt service	-	395,804	-	395,804
Reserved for textbooks	164,652	-	-	164,652
Reserved for capital acquisition	89,865	-	-	89,865
Unreserved, undesignated (deficit), reported in:				
General fund	(487,971)	-	-	(487,971)
Special revenue funds	-	-	3,176	3,176
Capital projects funds	-	-	80,861	80,861
Permanent fund	-	-	2,759	2,759
Total fund balances	<u>402,048</u>	<u>428,503</u>	<u>207,661</u>	<u>1,038,212</u>
Total liabilities and fund balances	<u>\$ 3,962,514</u>	<u>\$ 645,536</u>	<u>\$ 697,522</u>	<u>\$ 5,305,572</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$ 1,038,212
<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.		17,494,503
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes		229,571
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		262,694
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(13,385)
Long-term liabilities, including leases and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(440,870)	
Lease-purchase agreement payable	(711,790)	
General obligation bonds payable	(2,895,000)	
Total		<u>(4,047,660)</u>
Net assets of governmental activities		<u><u>\$ 14,963,935</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 2,788,710	\$ 269,812	\$ 82,518	\$ 3,141,040
Tuition.	36,693	-	-	36,693
Charges for services.	-	-	195,884	195,884
Earnings on investments.	61,576	-	523	62,099
Extracurricular.	-	-	184,548	184,548
Classroom materials and fees.	-	-	28,180	28,180
Other local revenues.	79,452	-	120,708	200,160
Intergovernmental - State.	6,064,525	38,293	145,665	6,248,483
Intergovernmental - Federal	-	-	1,204,982	1,204,982
Total revenue	<u>9,030,956</u>	<u>308,105</u>	<u>1,963,008</u>	<u>11,302,069</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,765,717	-	279,498	4,045,215
Special.	738,049	-	401,097	1,139,146
Vocational.	87,224	-	-	87,224
Other.	142,015	-	3,198	145,213
Support services:				
Pupil.	290,776	-	16,963	307,739
Instructional staff	391,922	-	306,632	698,554
Board of education	32,133	-	-	32,133
Administration.	888,870	-	11,925	900,795
Fiscal	261,115	-	5,000	266,115
Operations and maintenance.	1,172,938	-	17,327	1,190,265
Pupil transportation	483,940	-	11,398	495,338
Central.	-	-	4,693	4,693
Operation of non-instructional services:				
Food service operations	-	-	507,930	507,930
Other non-instructional services.	2,063	-	73,965	76,028
Extracurricular activities.	126,206	-	246,584	372,790
Facilities acquisition and construction	-	-	139,230	139,230
Debt service:				
Principal retirement	-	150,000	55,968	205,968
Interest and fiscal charges	-	174,007	44,032	218,039
Total expenditures	<u>8,382,968</u>	<u>324,007</u>	<u>2,125,440</u>	<u>10,832,415</u>
Excess of revenues over (under) expenditures.	<u>647,988</u>	<u>(15,902)</u>	<u>(162,432)</u>	<u>469,654</u>
Other financing sources (uses):				
Transfers in	-	-	25,668	25,668
Transfers (out).	(25,668)	-	-	(25,668)
Total other financing sources (uses)	<u>(25,668)</u>	<u>-</u>	<u>25,668</u>	<u>-</u>
Net change in fund balances	622,320	(15,902)	(136,764)	469,654
Fund balances (deficit) at				
beginning of year	<u>(220,272)</u>	<u>444,405</u>	<u>344,425</u>	<u>568,558</u>
Fund balances at end of year.	<u>\$ 402,048</u>	<u>\$ 428,503</u>	<u>\$ 207,661</u>	<u>\$ 1,038,212</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Net change in fund balances - total governmental funds	\$	469,654
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 85,220	
Current year depreciation	<u>(808,380)</u>	
Total		(723,160)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	57,943	
Intergovernmental revenue	<u>(5,460)</u>	
Total		52,483
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		205,968
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds.		
		619
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.		
		(63,595)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>192,358</u>
Change in net assets of governmental activities	\$	<u>134,327</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,479,910	\$ 2,646,825	\$ 2,637,496	\$ (9,329)
Tuition.	34,379	36,693	36,693	-
Earnings on investments.	53,405	57,000	57,314	314
Other local revenues	127,748	136,346	147,118	10,772
Intergovernmental - State	5,680,974	6,063,343	6,064,525	1,182
Total revenue	<u>8,376,416</u>	<u>8,940,207</u>	<u>8,943,146</u>	<u>2,939</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,307,408	4,007,335	3,611,749	395,586
Special.	650,378	657,378	721,119	(63,741)
Vocational.	85,386	85,387	86,206	(819)
Other.	92,643	116,582	147,605	(31,023)
Support services:				
Pupil.	269,330	299,330	294,112	5,218
Instructional staff	353,984	371,509	381,882	(10,373)
Board of education	18,833	28,120	36,319	(8,199)
Administration.	1,002,673	1,062,590	922,494	140,096
Fiscal	256,380	274,793	261,734	13,059
Operations and maintenance.	1,395,805	1,598,686	1,378,394	220,292
Pupil transportation	524,370	559,835	523,568	36,267
Operation of non-instructional services	1,915	2,515	2,065	450
Extracurricular activities.	112,710	161,185	128,756	32,429
Facilities acquisition and construction.	25,000	468,031	365,497	102,534
Total expenditures	<u>9,096,815</u>	<u>9,693,276</u>	<u>8,861,500</u>	<u>831,776</u>
Excess of revenues over (under) expenditures.	<u>(720,399)</u>	<u>(753,069)</u>	<u>81,646</u>	<u>834,715</u>
Other financing sources (uses):				
Refund of prior year expenditure.	139,207	148,577	148,577	-
Transfers in.	201,700	215,276	228,105	12,829
Transfers (out)	(220,041)	(210,317)	(253,773)	(43,456)
Total other financing sources (uses)	<u>120,866</u>	<u>153,536</u>	<u>122,909</u>	<u>(30,627)</u>
Net change in fund balance	(599,533)	(599,533)	204,555	804,088
Fund balance at beginning of year	389,404	389,404	389,404	-
Prior year encumbrances appropriated	210,129	210,129	210,129	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804,088</u>	<u>\$ 804,088</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 472,182
Total assets	<u>472,182</u>
Liabilities:	
Claims payable	<u>209,488</u>
Total liabilities	<u>209,488</u>
Net assets:	
Unrestricted.	<u>262,694</u>
Total net assets	<u><u>\$ 262,694</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	\$ 1,858,377
Total operating revenues	<u>1,858,377</u>
Operating expenses:	
Claims.	<u>1,666,019</u>
Total operating expenses	<u>1,666,019</u>
Operating income	<u>192,358</u>
Change in net assets.	192,358
Net assets at beginning of year.	<u>70,336</u>
Net assets at end of year.	<u><u>\$ 262,694</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 1,858,377
Cash payments for claims.	<u>(1,552,593)</u>
Net cash provided by operating activities	<u>305,784</u>
Net increase in cash and cash equivalents	305,784
Cash and cash equivalents at beginning of year. . .	<u>166,398</u>
Cash and cash equivalents at end of year	<u><u>\$ 472,182</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 192,358
Changes in assets and liabilities:	
Increase in claims payable	<u>113,426</u>
Net cash provided by operating activities	<u><u>\$ 305,784</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ -	\$ 69,461
Investments in segregated accounts	<u>1,993</u>	<u>-</u>
Total assets.	<u>1,993</u>	<u>\$ 69,461</u>
Liabilities:		
Accounts payable.	-	\$ 3,497
Due to students	<u>-</u>	<u>65,964</u>
Total liabilities	<u>-</u>	<u>\$ 69,461</u>
Net Assets:		
Held in trust for scholarships	<u>1,993</u>	
Total net assets	<u>\$ 1,993</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 65
Total additions	65
Net assets at beginning of year	1,928
Net assets at end of year.	\$ 1,993

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1856 through the consolidation of existing land areas and school districts. The District is staffed by 50 non-certificated employees, 95 certificated full-time teaching personnel and 8 administrative employees who provide services to 1,234 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Career Center

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Career Center's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Career Center's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Career Center. Each participating District's control is limited to its representation on the Career Center's Board of Education.

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

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

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

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

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and ESC. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Tuscarawas County Tax Incentive Review Council

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

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

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

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

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

D. Basis of Accounting

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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 District, available means expected to be received within sixty days of fiscal year-end.

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

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

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

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, 2006, but which were levied to finance fiscal year 2007 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 fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

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

TAX BUDGET

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

ESTIMATED RESOURCES

The Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificates issued during fiscal year 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

APPROPRIATIONS

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the appropriations at the legal level of control must be approved by the Board of Education. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the object level in the general fund and function and object level in all other funds without resolution by the Board of Education.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. Supplemental appropriations were legally enacted by the Board during fiscal year 2006.

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

LAPSING OF APPROPRIATIONS

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

F. Cash and Investments

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

During fiscal year 2006, investments consisted of a nonnegotiable certificate of deposit and a repurchase agreement. Investments are reported at fair market value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The certificate of deposit maintained in the Claude Hinds Memorial Fund is reflected on the statement of fiduciary net assets as "Investments in Segregated Accounts".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$61,576, which includes \$35,741 assigned from other funds.

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

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold for all capital assets is \$5,000. 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. The District does not possess infrastructure.

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>
Land improvements	20 years
Buildings and improvements	25 - 40 years
Furniture and equipment	5 - 15 years
Vehicles	6 - 10 years

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

I. 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 on the Statement of Net Assets.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, 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 year. Bonds are recognized as a liability on the fund financial statements when due.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, capital reserve, textbooks and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

N. Net Assets

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

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and a capital maintenance reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 17.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

R. Interfund Activity

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY & COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 277,912
Entry Year Programs	6
Poverty Aid	1,178
Title I	45,388
Ohio School Facilities	95
Safe and Drug Free School	134

All funds except the Ohio School Facilities fund complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

The District is in the process of reviewing expenditures in an effort to bring them in line with revenues. The Food Service and Ohio School Facilities fund had a cash-basis deficit at the year-end.

C. Noncompliance

The District had negative cash fund balances in several funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Rev. Code Section 5705.10.

Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources in several funds.

Contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in the food service fund at year end.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim moneys 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$1,356,263, exclusive of the \$998,493 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$1,417,376 of the District's bank balance of \$1,627,807 was exposed to custodial risk as discussed below, while \$210,431 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 998,493	\$ 998,493

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 998,493	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,356,263
Investments	998,493
Total	\$ 2,354,756
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,283,302
Private-purpose trust funds	1,993
Agency funds	69,461
Total	\$ 2,354,756

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2006 as reported on the fund statements consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	Nonmajor governmental funds	\$ 228,888

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

- B. Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 25,668

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - PROPERTY TAXES

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006 on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. 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 District prior to June 30.

The District receives property taxes from Tuscarawas, Coshocton and Guernsey Counties. The County Auditor's periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date 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, 2006 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 and recorded as revenue, at June 30, 2006 was \$336,870 in the general fund, \$4,688 in the Classroom Maintenance special revenue fund, \$32,699 in the debt service fund and \$4,015 in the Permanent Improvement capital projects fund.

The amount available as an advance, and recorded as revenue, at June 30, 2005, was \$185,656 in the general fund, \$3,433 in the Classroom Maintenance special revenue fund, \$25,837 in the debt service fund and \$3,012 in the Permanent Improvement capital projects 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and minerals real estate	\$ 59,186,230	62.74	\$ 59,961,280	63.16
Commercial/industrial real estate	15,340,310	16.26	15,654,030	16.49
Public utility personal	7,170,620	7.60	7,449,660	7.85
Tangible personal property	<u>12,644,293</u>	<u>13.40</u>	<u>11,867,827</u>	<u>12.50</u>
Total	<u>\$ 94,341,453</u>	<u>100.00</u>	<u>\$ 94,932,797</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$ 46.40		\$ 54.25	
Permanent improvement	1.50		1.50	
Debt service	3.20		2.95	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Taxes	\$ 3,142,071
Accounts	3,183
Accrued interest	4,271
Intergovernmental	<u>46,810</u>
Total	<u>\$ 3,196,335</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 121,788	\$ -	\$ -	\$ 121,788
Total capital assets, not being depreciated	<u>121,788</u>	<u>-</u>	<u>-</u>	<u>121,788</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,700,897	-	-	1,700,897
Buildings and improvements	19,771,138	17,883	-	19,789,021
Furniture and equipment	2,303,640	6,640	-	2,310,280
Vehicles	851,505	60,697	(35,199)	877,003
Total capital assets, being depreciated	<u>24,627,180</u>	<u>85,220</u>	<u>(35,199)</u>	<u>24,677,201</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(382,753)	(92,481)	-	(475,234)
Buildings and improvements	(4,023,370)	(469,639)	-	(4,493,009)
Furniture and equipment	(1,438,104)	(203,554)	-	(1,641,658)
Vehicles	(687,078)	(42,706)	35,199	(694,585)
Total accumulated depreciation	<u>(6,531,305)</u>	<u>(808,380)</u>	<u>35,199</u>	<u>(7,304,486)</u>
Governmental activities capital assets, net	<u>\$ 18,217,663</u>	<u>\$ (723,160)</u>	<u>\$ -</u>	<u>\$ 17,494,503</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 422,582
Special	49,852
Vocational	4,617
<u>Support Services:</u>	
Pupil	6,180
Instructional staff	44,933
Administration	15,586
Fiscal	2,252
Operations and maintenance	67,802
Pupil transportation	43,092
Extracurricular activities	109,348
Food service operations	<u>42,136</u>
Total depreciation expense	<u>\$ 808,380</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - LEASE-PURCHASE AGREEMENT

On June 15, 2001, the District entered into a lease-purchase agreement with Banc One Leasing Corporation for the financing of the reconstruction and improvement of Lee Stadium, which includes bleachers, new all-weather track facilities and a concession/ restroom building. The source of revenue to fund the principal and interest payments is derived from the Vernon and Edith Lee expendable trust fund. The trust agreement stipulates that the monies donated to the District are to be used under the direction of the Board of Education for the maintenance, repair, construction and reconstruction to the District's athletic facilities. During fiscal year 2006, the District made principal payments totaling \$55,968 and interest payments totaling \$44,032 on the lease-purchase agreement. The lease payments are recorded as expenditures in the permanent fund (a nonmajor governmental fund).

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

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2006.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 97,000
2008	97,000
2009	97,000
2010	97,000
2011	97,000
2012 - 2016	<u>459,734</u>
Total minimum lease payments	944,734
Less amount representing interest	<u>(232,944)</u>
Total	<u>\$ 711,790</u>

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

NOTE 10 - LONG-TERM OBLIGATIONS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Payments of principal and interest on the refunding bonds are made from the debt service fund. The following is a description of the District's refunding bond activity for fiscal year 2006:

	Interest Rate	Balance Outstanding June 30, 2005	Additions	Reductions	Balance Outstanding June 30, 2006	Amounts Due in One Year
General obligation bonds	4.65%	\$ 330,000	\$ -	\$ (60,000)	\$ 270,000	\$ 60,000

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

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. The total cost of the Construction Project was \$16,206,098. The Construction Project was completed in fiscal year 2004.

Interest payments on the general obligation bonds are due on December 1 of each year. The final maturity stated in the issue is December 1, 2024.

In conjunction with the 3.2 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the Classroom Facilities Maintenance special revenue fund.

The following is a description of the District's school improvement bonds activity for fiscal year 2006:

	Interest Rate	Balance Outstanding June 30, 2005	Additions	Reductions	Balance Outstanding June 30, 2006	Amounts Due in One Year
General obligation bonds	4.50%	\$ 2,715,000	\$ -	\$ (90,000)	\$ 2,625,000	\$ 95,000

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- C. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>	<u>Due in</u>
					<u>One Year</u>
Governmental Activities:					
General obligation bonds	\$ 3,045,000	\$ -	\$ (150,000)	\$ 2,895,000	\$ 155,000
Compensated absences	402,151	98,381	(43,804)	456,728	41,701
Lease-purchase agreement payable	<u>767,758</u>	<u>-</u>	<u>(55,968)</u>	<u>711,790</u>	<u>56,241</u>
Total long-term obligations, governmental activities	<u>\$ 4,214,909</u>	<u>\$ 98,381</u>	<u>\$ (249,772)</u>	<u>\$ 4,063,518</u>	<u>\$ 252,942</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. The general obligation bonds and the lease-purchase agreement are paid from the debt service fund.

- D. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2006, are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 155,000	\$ 160,619	\$ 315,619
2008	155,000	152,974	307,974
2009	160,000	145,113	305,113
2010	155,000	137,161	292,161
2011	160,000	129,088	289,088
2012 - 2016	655,000	543,224	1,198,224
2017 - 2021	835,000	329,530	1,164,530
2022 - 2024	<u>620,000</u>	<u>59,687</u>	<u>679,687</u>
Total	<u>\$ 2,895,000</u>	<u>\$ 1,657,396</u>	<u>\$ 4,552,396</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$6,077,455 (including available funds of \$428,503) and an unvoted debt margin of \$94,933.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 50 days for all classified employees and 60 days for certified employees.

B. Life Insurance

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

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the District contracted with Ohio School Plan for property insurance, for fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Ohio School Plan are as follows:

Building and contents - replacement cost (\$2,500 deductible)	100% Blanket
Inland marine coverage "contents" (\$1,000 deductible)	\$ 1,976,000
Boiler and machinery "contents" (\$1,500 deductible)	34,429,722
Automobile liability (Buses, \$1,000 deductible; Other, \$250/\$500 deductible)	1,000,000
Professional liability:	
Per occurrence	1,000,000
Per aggregate	3,000,000
Excess auto liability:	
Per aggregate	3,000,000

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 2006, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

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

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The claims liability of \$266,515 reported in the internal service fund at June 30, 2006, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2006	\$ 96,062	\$ 1,666,019	\$ (1,552,593)	\$ 209,488
2005	88,075	1,618,788	(1,610,801)	96,062

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 13 - PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$133,183, \$108,957 and \$94,428, respectively; 46.15% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$71,723 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability.

B. State Teachers Retirement System

The 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 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 13 - PENSION PLANS - (Continued)

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$532,624, \$468,046, and \$492,214, respectively; 84.59% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$82,056 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability. Contributions to the DC and Combined Plans for fiscal 2006 were \$789 made by the District and \$752 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$40,971 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$66,869 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 204,555
Net adjustment for revenue accruals	87,810
Net adjustment for expenditure accruals	202,678
Net adjustment for other sources/uses	(148,577)
Adjustment for encumbrances	<u>275,854</u>
GAAP basis	<u>\$ 622,320</u>

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ 55,559	\$ -
Current year set-aside requirement	181,412	181,412
Current year offsets	-	(80,259)
Qualifying disbursements	<u>(72,319)</u>	<u>(11,288)</u>
Total	<u>\$ 164,652</u>	<u>\$ 89,865</u>
Cash balance carried forward to FY 2007	<u>\$ 164,652</u>	<u>\$ 89,865</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 17 - STATUTORY RESERVES - (Continued)

A schedule of the restricted assets at June 30, 2006 follows:

Amounts restricted for capital acquisition	\$ 89,865
Amounts restricted for textbooks	<u>164,652</u>
Total restricted assets	<u>\$ 254,517</u>

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**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS THROUGH GRANTOR NUMBER	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed Through Ohio Department of Education)</i>						
Child Nutrition Cluster:						
National School Breakfast Program	N/A	10.553	\$65,397		\$65,397	
National School Lunch Program	N/A	10.555	234,443		234,443	
Total Nutrition Cluster			299,840		299,840	
Food Distribution Program	N/A	10.550		\$34,035		\$33,190
Total U.S. Department of Agriculture - Nutrition Cluster			299,840	34,035	299,840	33,190
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed Through Ohio Department of Education)</i>						
State Library Grant	2006	45.310	15,027		14,559	
Title I Grants to Local Educational Agencies	C1S106	84.010	352,189		395,116	
Special Education - Grants to States	6BSF05 6BSF06	84.027	317,962		135 304,874	
Total Special Education - Grants to States			317,962		305,009	
State Grants for Innovative Programs	C2S106	84.298	8,067		9,619	
Improving Teacher Quality State Grants	TRS105 TRS106	84.367	5,460 120,473		2,825 107,146	
Total Improving Teacher Quality State Grants			125,933		109,971	
Safe and Drug Free Schools and Communities State Grants	DRS105 DRS106	84.186	10,719		3,895 13,486	
Total Safe and Drug Free Schools and Communities State Grants			10,719		17,381	
Eisenhower Professional Development State Grants	MSS102	84.281	0		182	
Education Technology State Grant	TJS105 TJS106	84.318	7,359		806 9,598	
Total Education Technology State Grant			7,359		10,404	
Total U.S. Department of Education			837,256		862,241	
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>(Passed Through Ohio Department of Education)</i>						
Learn and Serve America Schools and Community Based Programs	SVS505 SVS506	94.004	20,000		1,604 15,962	
Total Learn and Serve America Schools and Community Based Programs			20,000		17,566	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
Community Alternative Funding System	N/A	93.778	10,322		10,322	
State Children's Insurance Program	N/A	93.778	729		729	
Total U.S. Department of Health and Human Services			11,051		11,051	
Total			\$1,168,147	\$34,035	\$1,190,698	\$33,190

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

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DONATION DISTRIBUTION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE C – MEDICAL ASSISTANCE PROGRAM

Cash receipts from the U.S. Department of Health and Human Services for the Medical Assistance Program-CAFS are commingled with local funds. It is assumed federal monies are expended first.

NOTE D – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Newcomerstown Exempted Village School District, Tuscarawas County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

In a separate letter to the District's management dated January 29, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-004.

In a separate letter to the District's management dated January 29, 2007, we reported other matters related to noncompliance we deemed immaterial.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Newcomerstown Exempted Village School District
Tuscarawas County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Mary Taylor, CPA
Auditor of State

January 29, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Newcomerstown Exempted Village School District, Tuscarawas County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. 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 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs. 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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over Federal compliance not requiring inclusion in this report, that we have reported to the District's management in a separate letter dated January 29, 2007.

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

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

Mary Taylor, CPA
Auditor of State

January 29, 2007

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I - CFDA # 84.010 and Special Education – CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2006-001

Material Noncompliance

Ohio Rev. Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. Throughout the year, the District had negative cash fund balances, up to the amounts listed, in the following funds:

Governmental Fund Type:

Food Service	(\$ 268,060)
Idea Part B Grant Fund	(35,378)
Title I	(16,689)
Title V	(6,927)
Uniform School Supply Fund	(6,754)
School Improvement	(95)
Vernon & Edith Lee Trust	(53,452)

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

FINDING NUMBER 2006-002

Material Noncompliance

Ohio Rev. Code Section 5705.39 provides, in part that requires the total appropriation from each fund shall not exceed the estimated revenue available for expenditure therefrom as certified by the county budget commission, or in case of appeal, by the board of tax appeals.

Total appropriations exceeded total estimated resources during the year as follows:

<u>Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Fund 494	\$0	\$463	(\$463)
Fund 572	364,232	379,981	(15,749)
Fund 573	(3,670)	6,209	(9,879)
Fund 583	(95)	531	(626)
Fund 599	73,143	93,410	(20,267)

Total appropriations exceeded total estimated resources at year end as follows:

<u>Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Fund 573	\$11,639	\$11,911	(\$272)
Fund 583	(95)	531	(626)
Fund 599	189,829	191,295	(1,466)

The Board should monitor appropriations versus estimated resources to help avoid overspending.

FINDING NUMBER 2006-003

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At June 30, 2006, fund level expenditures plus outstanding encumbrances exceeded appropriations in the Food Service Fund by \$264,531.

In addition, amounts posted to the District's Appropriation Ledger did not always agree to the District's actual Annual Appropriation Measure plus supplemental appropriations that was submitted to the County.

The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid overspending. In addition, the Treasurer should periodically review the District's Appropriations Ledger to ensure appropriation amounts are posted accurately and timely.

FINDING NUMBER 2006-004

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 9.39 states all public officials are liable for all public money received or collected by them or by their subordinates under color of office.

As a result of our test of the Cheerleading Camp fees, we noted the advisor was reimbursed for \$4,269, which was the invoice amount the advisor paid with her credit card. \$3,833 was collected by the District with a difference of \$436. \$238 of this difference was for the advisor's daughter to attend the camp and the remaining \$198 was undetermined.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Denise Wright, Cheerleading Advisor in the amount of \$436 and in favor of the Newcomerstown Exempted Village School District's Athletic Fund (Fund No. 300).

On January 4, 2007 and January 10, 2007, Ms. Wright, the advisor remitted \$238 and \$198, respectively to the District to cover this shortage.

Officials' Response: We did not receive a response from officials to any of the findings reported above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315(b)
FOR THE YEAR ENDED JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Ohio Rev. Code Section 9.39, finding for recovery for shortage in cheerleading fundraiser	No.	Not Corrected. See Finding 2006-004.
2005-002	Ohio Rev. Code Section 5705.10, negative fund balances	No	Not corrected. See Finding 2006-001
2005-003	Ohio Rev. Code Section 5705.41 (B)	No	Not corrected. See Finding 2006-003.
2005-004	34 CFR 76.704, 76.707, and 80.23 – District included \$14,472 of Federal expenditures which were outside the period of availability.	Yes	



Mary Taylor, CPA
Auditor of State

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2007**