



**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

New Riegel Local School District
Seneca County
44 North Perry Street
P.O. Box 207
New Riegel, Ohio 44853-0207

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the New Riegel Local School District, Seneca County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the New Riegel, Seneca County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

November 17, 2000

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**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$245,792	\$79,282	\$127,476	\$1,679,429
Cash with fiscal agent		269		
Receivables (net of allowances of uncollectibles):				
Taxes - current and delinquent	641,616	14,798	111,229	
Accounts	1,274	1,534		
Accrued interest	62			
Interfund loan receivable	9,000			
Due from other governments	2,700			
Prepayments	3,622			
Materials and supplies inventory	3,899			
Restricted assets:				
Equity in pooled cash and cash equivalents	53,273			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other debits:				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	\$961,238	\$95,883	\$238,705	\$1,679,429

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$14,973	\$34,602			\$2,181,554 269
				767,643
264				3,072
				62
				9,000
1,316				4,016
				3,622
2,900				6,799
				53,273
2,255		\$5,005,972		5,008,227
			\$137,146	137,146
			200,173	200,173
<u>\$21,708</u>	<u>\$34,602</u>	<u>\$5,005,972</u>	<u>\$337,319</u>	<u>\$8,374,856</u>

(Continued)

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$2,800	\$1,248		\$241
Accrued wages and benefits	203,587	317		
Compensated absences payable	1,865			
Pension obligation payable	34,464			
Interfund loan payable		9,000		
Deferred revenue	517,557	13,523	\$101,559	
Due to students				
Due to other governments				
Bond anticipation notes payable				1,285,500
General obligation bonds payable				
Energy conservation loan payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	760,273	24,088	101,559	1,285,741
Equity and Other Credits:				
Investment in general fixed assets				
Retained earnings (accumulated deficit):				
Unreserved				
Fund balances:				
Reserved for encumbrances	8,817	7,421		88,596
Reserved for materials and supplies inventory	3,622			
inventory	3,899			
Reserved for debt service			128,108	
Reserved for tax revenue unavailable for appropriation	46,270	1,202	9,038	
Reserved for budget stabilization	53,273			
Unreserved-undesignated (deficit)	85,084	63,172		\$305,092
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity and other credits	200,965	71,795	137,146	393,688
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, equity and other credits	\$961,238	\$95,883	\$238,705	\$1,679,429

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$502				\$4,791
5,860				209,764
7,812			\$196,195	205,872
7,804			25,227	67,495
				9,000
2,109				634,748
	\$32,767			32,767
	1,835			1,835
				1,285,500
			50,000	50,000
			65,897	65,897
<u>24,087</u>	<u>34,602</u>		<u>337,319</u>	<u>2,567,669</u>
		\$5,005,972		5,005,972
(2,379)				(2,379)
				104,834
				3,622
				3,899
				128,108
				56,510
				53,273
				453,348
<u>(2,379)</u>		<u>5,005,972</u>		<u>5,807,187</u>
<u>\$21,708</u>	<u>\$34,602</u>	<u>\$5,005,972</u>	<u>\$337,319</u>	<u>\$8,374,856</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
From local sources:		
Taxes	\$711,705	\$8,196
Tuition	14,555	356
Earnings on investments	23,345	75
Other local revenues	24,205	65,254
Intergovernmental - State	1,843,935	59,831
Intergovernmental - Federal		71,389
	<hr/>	<hr/>
Total revenue	<u>2,617,745</u>	<u>205,101</u>
Expenditures:		
Current:		
Instruction:		
Regular	1,174,387	30,516
Special	222,443	22,362
Vocational	8,756	
Support services:		
Pupil	90,075	8,861
Instructional staff	88,405	33,955
Board of Education	9,133	
Administration	244,327	153
Fiscal	67,434	135
Operations and maintenance	151,992	5,719
Pupil transportation	142,973	3,936
Community services		21
Extracurricular activities	68,269	53,359
Facilities acquisition and construction	20,000	
Debt service:		
Principal retirement		
Interest and fiscal charges		
	<hr/>	<hr/>
Total expenditures	<u>2,288,194</u>	<u>159,017</u>
Excess of revenues over (under) expenditures	<hr/> <u>329,551</u>	<hr/> <u>46,084</u>
Other financing sources (uses):		
Operating transfers in		
Operating transfers out	(101,855)	
Proceeds from sales of fixed assets	1,270	
	<hr/>	<hr/>
Total other financing sources (uses)	<u>(100,585)</u>	
Excess of of revenues and other financing sources over (under) expenditures and other financing uses	228,966	46,084
Fund balances (deficit), July 1 (restated)	(28,874)	25,711
Increase in reserve for inventory	873	
	<hr/>	<hr/>
Fund balances (deficit), June 30	<u>\$200,965</u>	<u>\$71,795</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Total (Memorandum Only)
Debt Service	Capital Projects	
\$73,480		\$793,381
	\$33,963	14,911
		57,383
7,237	566,769	89,459
		2,477,772
		71,389
<u>80,717</u>	<u>600,732</u>	<u>3,504,295</u>
	31,795	1,236,698
		244,805
		8,756
		98,936
		122,360
		9,133
1,281	2,470	246,950
		68,850
		157,711
		146,909
		21
		121,628
	443,287	463,287
42,612		42,612
7,602		7,602
<u>51,495</u>	<u>477,552</u>	<u>2,976,258</u>
<u>29,222</u>	<u>123,180</u>	<u>528,037</u>
21,855	80,000	101,855
		(101,855)
		1,270
<u>21,855</u>	<u>80,000</u>	<u>1,270</u>
51,077	203,180	529,307
86,069	190,508	273,414
		873
<u>\$137,146</u>	<u>\$393,688</u>	<u>\$803,594</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$715,336	\$717,241	\$1,905	\$8,142	\$6,921	(\$1,221)
Tuition	14,516	14,555	39	420	357	(63)
Earnings on investments	23,293	23,355	62	89	76	(13)
Other local revenues	21,275	21,332	57	75,612	64,273	(11,339)
Intergovernmental - State	1,836,342	1,841,233	4,891	70,386	59,831	(10,555)
Intergovernmental - Federal				80,834	68,712	(12,122)
Total revenues	2,610,762	2,617,716	6,954	235,483	200,170	(35,313)
Expenditures:						
Current:						
Instruction:						
Regular	1,212,222	1,176,351	35,871	81,174	36,392	44,782
Special	248,500	222,187	26,313	25,389	25,389	
Vocational	23,000	11,661	11,339			
Support services:						
Pupil	96,081	88,847	7,234	10,342	9,497	845
Instructional staff	109,660	89,953	19,707	31,878	31,866	12
Board of Education	14,100	10,126	3,974			
Administration	254,000	243,724	10,276			
Fiscal	74,700	70,394	4,306	250	136	114
Operations and maintenance	179,510	158,100	21,410	8,325	5,718	2,607
Pupil transportation	241,606	144,129	97,477	5,000	3,503	1,497
Extracurricular activities	73,700	67,840	5,860	102,888	56,000	46,888
Facilities acquisition and construction	20,000	20,000				
Debt service:						
Principal retirement	17,612	17,612				
Interest and fiscal charges	4,288	4,243	45			
Total expenditures	2,568,979	2,325,167	243,812	265,246	168,501	96,745
Excess of revenues over (under) expenditures	41,783	292,549	250,766	(29,763)	31,669	61,432
Other financing sources (uses):						
Refund of prior year's expenditures	170	170				
Refund of prior year's (receipts)	(1,550)	(1,548)	2			
Operating transfers in	21,094	21,150	56			
Operating transfers (out)	(101,150)	(101,150)				
Advances in				10,588	9,000	(1,588)
Advances (out)	(9,000)	(9,000)				
Proceeds from sale of fixed assets	1,267	1,270	3			
Proceeds from sale of notes						
Total other financing sources (uses)	(89,169)	(89,108)	61	10,588	9,000	(1,588)
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(47,386)	203,441	250,827	(19,175)	40,669	59,844
Fund balances, July 1	84,229	84,229		28,102	28,102	
Prior year encumbrances appropriated	1,174	1,174		1,842	1,842	
Fund balances, June 30	\$38,017	\$288,844	\$250,827	\$10,769	\$70,613	\$59,844

The notes to the general-purpose financial statements are an integral part of this statement.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$63,453	\$64,440	\$987				\$786,931	\$788,602	\$1,671
						14,936	14,912	(24)
			\$29,042	\$33,964	\$4,922	52,424	57,395	4,971
						96,887	85,605	(11,282)
7,127	7,238	111	484,635	566,769	82,134	2,398,490	2,475,071	76,581
						80,834	68,712	(12,122)
<u>70,580</u>	<u>71,678</u>	<u>1,098</u>	<u>513,677</u>	<u>600,733</u>	<u>87,056</u>	<u>3,430,502</u>	<u>3,490,297</u>	<u>59,795</u>
			43,215	31,931	11,284	1,336,611	1,244,674	91,937
						273,889	247,576	26,313
						23,000	11,661	11,339
						106,423	98,344	8,079
						141,538	121,819	19,719
						14,100	10,126	3,974
			5,000	2,469	2,531	259,000	246,193	12,807
2,800	1,281	1,519				77,750	71,811	5,939
			24,000	23,313	687	211,835	187,131	24,704
			37,000		37,000	283,606	147,632	135,974
						176,588	123,840	52,748
			613,048	498,510	114,538	633,048	518,510	114,538
25,000	25,000					42,612	42,612	
5,000	3,359	1,641				9,288	7,602	1,686
<u>32,800</u>	<u>29,640</u>	<u>3,160</u>	<u>722,263</u>	<u>556,223</u>	<u>166,040</u>	<u>3,589,288</u>	<u>3,079,531</u>	<u>509,757</u>
<u>37,780</u>	<u>42,038</u>	<u>4,258</u>	<u>(208,586)</u>	<u>44,510</u>	<u>253,096</u>	<u>(158,786)</u>	<u>410,766</u>	<u>569,552</u>
						170	170	
			(9,960)	(9,960)		(11,510)	(11,508)	2
			68,407	80,000	11,593	89,501	101,150	11,649
						(101,150)	(101,150)	
						10,588	9,000	(1,588)
						(9,000)	(9,000)	
						1,267	1,270	3
			1,099,212	1,285,500	186,288	1,099,212	1,285,500	186,288
			<u>1,157,659</u>	<u>1,355,540</u>	<u>197,881</u>	<u>1,079,078</u>	<u>1,275,432</u>	<u>196,354</u>
37,780	42,038	4,258	949,073	1,400,050	450,977	920,292	1,686,198	765,906
85,438	85,438		22,807	22,807		220,576	220,576	
			167,735	167,735		170,751	170,751	
<u>\$123,218</u>	<u>\$127,476</u>	<u>\$4,258</u>	<u>\$1,139,615</u>	<u>\$1,590,592</u>	<u>\$450,977</u>	<u>\$1,311,619</u>	<u>\$2,077,525</u>	<u>\$765,906</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$23,824
Sales/charges for services	82,380
	106,204
Total operating revenues	
Operating expenses:	
Personal services	57,678
Contract services	2,204
Materials and supplies	72,746
	132,628
Total operating expenses	
Operating loss	(26,424)
Nonoperating revenues:	
Operating grants	13,257
Federal commodities	14,594
Interest revenue	315
	28,166
Total nonoperating revenues	
Net income	1,742
Retained earnings (accumulated deficit), July 1	(4,121)
Retained earnings (accumulated deficit), June 30	(\$2,379)

The notes to the general-purpose financial statements are an integral part of this statement.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$23,893
Cash received from sales/service charges	82,388
Cash payments for personal services	(53,983)
Cash payments for contract services	(2,275)
Cash payments for supplies and materials	<u>(58,023)</u>
Net cash used in operating activities	<u>(8,000)</u>
Cash flows from noncapital financing activities:	
Cash received from operating grants	<u>11,941</u>
Cash flows from investing activities:	
Interest received	<u>315</u>
Net increase in cash and cash equivalents	4,256
Cash and cash equivalents at beginning of year	<u>10,717</u>
Cash and cash equivalents at end of year	<u><u>\$14,973</u></u>
 Reconciliation of operating loss to net cash used in operating activities	
Operating loss	(\$26,424)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Federal donated commodities	14,594
Changes in assets and liabilities:	
Decrease in accounts receivable	77
Increase in materials and supplies inventory	(936)
Increase in accounts payable	431
Increase in accrued wages and benefits	92
Increase in compensated absences payable	4,068
Decrease in pension obligation payable	(465)
Increase in deferred revenue	<u>563</u>
Net cash used in operating activities	<u><u>(\$8,000)</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

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**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 1 - THE REPORTING ENTITY

The New Riegel Local School District (the District) is located in Seneca County and encompasses the Village of New Riegel. The District serves an area of approximately 30 square miles.

The District was established in 1841 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 602nd largest by enrollment among the 660 districts in the State, and 6th in Seneca County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 30 non-certified and 32 certified employees to provide services to 480 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial accountability. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

PUBLIC ENTITY RISK POOLS

North Central Ohio Joint Self Insurance(the Association)

This organization is an insurance pool between the Seneca/Wyandot Educational Service Center, the Sandusky County Educational Service Center, and five local school districts: Tiffin, Old Fort, Bettsville, Seneca East and New Riegel. The Association was established pursuant to ORC Section 9.833 in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts and educational service centers. The North Central Ohio Educational Service Center acts as fiscal agent. Refer to Note 13 for further information on this public entity risk pool.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 14 for further information on this group rating plan.

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Joint Vocational School

The Vanguard-Sentinel Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Joint Vocational School, Jay Valesek, who serves as Treasurer, at Cedar Street, Fremont, Ohio 43420.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
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expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

2. Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types.

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for an analysis of agency fund accruals which, in other fund types, would be recognized on the combined balance sheet.

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4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

D. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. 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 statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund 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. Although the legal level of budgetary control was established at the fund level of expenditures for grant funds, the District has elected to present budgetary statement comparisons at the fund level and function level of expenditures for these funds.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

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7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2000. The amounts reported in the budgetary statement reflect the original appropriations plus all amendments legally enacted by the Board prior to June 30, 2000.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 18 provides a reconciliation of the budgetary and GAAP basis of accounting and disclosure of the encumbrances outstanding for proprietary fund types at fiscal year end and Note 15 discloses the encumbrances outstanding for the enterprise funds.

E. 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 combined balance sheet.

During fiscal year 2000, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$23,345, which includes \$15,746 and interest revenue credited to the food service enterprise fund during fiscal year 2000 amounted to \$315, which includes \$19 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 Treasurer's investment account at year end is provided in Note 4.

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F. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over an estimated useful life of five to twenty years.

I. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

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Non-Reimbursable Grants

Special Revenue Funds

- Management Information Systems
- Title I
- Title II
- Title VI-B
- Teacher Development
- Textbook/Instructional Material Subsidy
- Conflict Management Grant
- Eisenhower
- Drug Free Grant
- Telecommunications Grant
- SchoolNet Professional Development
- Ohio Reads
- Summer Intervention
- Safe School Helpline
- School Improvement Initiative
- Classroom Reduction

Capital Projects Fund

- Technology Equity
- SchoolNet
- Emergency Building Repair
- Classroom Facilities

Reimbursable Grants

General Fund

- Driver Education
- School Bus Purchases

Enterprise Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 71% of the District's operating revenue during the 2000 fiscal year.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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 the balance sheet date 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

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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 regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, materials and supplies inventory, prepayments, tax advance unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

M. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

- A. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
- B. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
- C. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 2000.

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D. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2000.

An analysis of interfund transactions is presented in Note 5.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 20 for detail of statutory reserves.

O. Estimates

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

P. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

The amount of cash held by the North Central Ohio Educational Service Center for pass-through grants as of June 30, 1999, was overstated. The effect of the restatement on fund balance as previously reported as of June 30, 1999 is as follows:

	<u>Special Revenue</u>
Fund balance as previously reported, June 30, 1999	\$43,883
Effect of restatement	<u>(18,172)</u>
Restated fund balance as of June 30, 1999	<u>\$25,711</u>

The effect of this adjustment on the Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses as previously reported for the year ended June 30, 1999 is as follows:

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	<u>Special Revenue</u>
Excess as previously reported for the year ended June 30, 1999	(\$6,474)
Effect of restatement	<u>(18,172)</u>
Excess as restated	<u><u>(\$24,646)</u></u>

B. Deficit Fund Balances/Retained Earning

Fund balances/retained earnings at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
District Managed Student Activities	\$ 3
Management Information Systems	3
Ohio Reads	3,425
Title I	69
Miscellaneous Federal Grants	1
 <u>Capital Projects Funds</u>	
Building Site Acquisition	137,500
 <u>Enterprise Funds</u>	
Food Service	9,848

Each of these funds complied with Ohio state law, which does not permit a cash basis deficit at year end.

The deficit balances in the District Managed Student Activities, Management Information Systems, Title I and Miscellaneous Federal Grants special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages attributable to the fiscal year. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balance in the Ohio Reads special revenue fund is due to the reporting of an "advance in" from another fund as an interfund loan payable rather than as an "other financing source". This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit balance in the Building Site Acquisition Capital Projects fund is due to the recording of a bond anticipation note payable as a fund liability. This deficit will be eliminated as resources become available to repay the note.

The deficit retained earnings in the Food Service enterprise fund is a result of accruing wage, benefit and pension obligations in accordance with GAAP. This deficit will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

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C. Agency Funds

The following are accruals for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

<u>Assets</u>	
Accounts receivable	\$100
<u>Liabilities</u>	
Accounts payable	\$238

NOTE 4 - EQUITY IN POOLED CASH 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 the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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

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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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with fiscal agent: The District had \$269 in cash held by the North Central Ohio Educational Service Center which is included on the balance sheet as "Cash with Fiscal Agent". The Educational Service Center holds this flow through grant money for the District along with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year end, the carrying amount of the District's deposits was \$356,440 and the bank balance was \$398,518 Of the bank balance:

Category 1 - \$138,910 was covered by federal deposit insurance.

Category 2 - \$259,608 was uninsured and unregistered because it was secured by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United

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States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Reported Amount	Fair Value
Investment in STAR Ohio	\$1,878,387	\$1,878,387

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$2,235,096	
Investments of the cash management pool:		
Investment in STAR Ohio	(1,878,387)	\$1,878,387
Cash with fiscal agent	(269)	
GASB Statement No. 3	\$356,440	\$1,878,387

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	Interfund Receivable	Interfund Payable
General Fund	\$9,000	
Special Revenue Funds:		
Ohio Reads Grant		\$9,000
Total	\$9,000	\$9,000

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B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$101,855
Debt Service Fund	\$21,855	
Capital Project Funds:		
Permanent Improvement	80,000	
Total	\$101,855	\$101,855

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1999 taxes were collected was \$29,166,040. Agricultural/Residential and public utility real estate represented 82.60% or \$24,091,500 of this total; Commercial and Industrial real estate represented 7.31% or \$2,132,600 of this total, public utility tangible represented 5.93% or \$1,727,720 of this total and general tangible property represented 4.16% or \$1,214,220 of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$37.50 per \$1,000.00 of assessed valuation for operations and \$4.32 per \$1,000.00 of assessed valuation for debt service.

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. All property is required to be revalued every six years. The last reappraisal update was completed in 1999.

The Seneca County Treasurer collects property tax on behalf of the District. The Seneca County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$56,510 was available to the District as an advance at June 30, and is recognized as revenue.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to fiscal year end.

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of three-quarters percent (0.75%) for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts (billings for user charged services and student fees), interfund loans, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. 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 fiscal year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$641,616
Accounts	1,274
Due from other governments	2,700
Interfund loans	9,000
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	14,798
Accounts	1,534
<u>Debt Service Fund</u>	
Taxes - current and delinquent	111,229
<u>Enterprise Funds</u>	
Due from other governments	1,316

NOTE 9 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	Balance <u>July 1, 1999</u>	Increase	Decrease	Balance <u>June 30, 2000</u>
Land/Improvements	\$13,084	\$137,500		\$150,584
Buildings/Improvements	3,493,545	124,008		3,617,553
Furniture/Equipment	719,624	20,833		740,457
Vehicles	381,726			381,726
Construction in progress		115,652		115,652
Total	<u>\$4,607,979</u>	<u>\$397,993</u>		<u>\$5,005,972</u>

The construction in progress represents costs incurred and paid by June 30, 2000 for the construction of a new building for the elementary, middle and high school. The total estimated cost of the building project, of which 89% is being funded by the Ohio School Facilities Commission, is \$11,734,607. The scheduled date of completion is August 2001.

A summary of the proprietary fixed assets at June 30, 2000 follows:

Furniture and equipment	\$22,552
Less: accumulated depreciation	<u>(20,297)</u>
Net fixed assets	<u>\$2,255</u>

NOTE 10 - OPERATING LEASES

The District rents the elementary school building from St. Boniface Parish. The current contract began June 11, 1999 and runs through June 15, 2001. During fiscal year 2000, the District paid \$20,000 in rent.

NOTE 11 - LONG-TERM OBLIGATIONS

The general obligation bonds and energy conservation loan, issued to provide funds for a building addition and improvements, 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 general long-term obligations account group. Payments of principal and interest relating to the bonds and loan are recorded as expenditures in the debt service fund.

A. The following is a description of the District's bonds and energy conservation loan outstanding as of June 30, 2000:

	Interest Rates	Maturity Date	Outstanding July 1, 1999	Retired In 2000	Outstanding June 30, 2000
Building Facilities Bond	5.38%	12/01/01	\$75,000	(\$25,000)	\$50,000
H.B. 264 - Energy Loan	5.00%	08/08/04	83,509	(17,612)	65,897
			<u>\$158,509</u>	<u>(\$42,612)</u>	<u>\$115,897</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds and the energy conservation loan:

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Fiscal Year	G.O. Bonds			Energy Conservation Loan		
	Principal	Interest	Total	Principal	Interest	Total
2001	\$25,000	\$2,016	\$27,016	\$17,612	\$3,295	\$20,907
2002	25,000	672	25,672	17,612	2,414	20,026
2003				17,612	1,534	19,146
2004				13,061	653	13,714
	<u>\$50,000</u>	<u>\$2,688</u>	<u>\$52,688</u>	<u>\$65,897</u>	<u>\$7,896</u>	<u>\$73,793</u>

- C. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance at July 1, 1999	Increase	Decrease	Balance at June 30, 2000
Compensated absences	162,961	\$58,464	(\$25,230)	\$196,195
Pension obligation payable	24,798	25,227	(24,798)	25,227
Energy conservation loan payable	83,509		(17,612)	65,897
General obligation bonds payable	75,000		(25,000)	50,000
Total	<u>\$346,268</u>	<u>\$83,691</u>	<u>(\$92,640)</u>	<u>\$337,319</u>

D. 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, 2000 are a voted debt margin of \$2,712,090 (including available funds of \$137,146) and an unvoted debt margin of \$29,166.

NOTE 12 - BOND ANTICIPATION NOTE

On February 2, 2000, the District issued \$1,285,500 in bond anticipation notes to begin the construction of a new building for the elementary, middle and high school. These notes bear an annual interest rate of 4.50%. The notes mature on January 17, 2001. A summary of the bond anticipation note transactions for the year ended June 30, 2000 follows:

	Principal Outstanding June 30, 1999	Additions	Reductions	Principal Outstanding June 30, 2000
Capital Projects Funds:				
Bond Anticipation Notes - 4.50%	<u> </u>	<u>\$1,285,500</u>	<u> </u>	<u>\$1,285,500</u>

NOTE 13 - COMPENSATED ABSENCES

Vacation leave accumulated by governmental fund type employees is recorded in the governmental funds as it will be paid with expendable, available resources. Sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group. Sick leave in the proprietary funds are expended when earned.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Upon retirement, a fully vested employee is entitled to twenty-five percent of their accumulated sick leave based on their years of service not to exceed 220 days or a maximum payout of 55 days. The maximum payout days of 55 is reduced if the employee has less than ten years of service with the District. Employees who use five or fewer sick days a year are credited with one extra day of severance pay to a maximum accumulation of ten extra days. This negotiated agreement effectively increases the District's maximum severance payout to 65 days. At June 30, 2000, the vested benefits for vacation leave for governmental fund type employees totaled \$3,746 and vested benefits for sick leave totaled \$192,449. These amounts represent the non-current portion of the vested benefits and are reported in the general long-term obligations account group. The current portion of vacation leave vested benefits total \$1,865, and has been reported as a liability of the governmental funds. There was no current portion of sick leave for governmental fund types. For proprietary fund types, there were no vested benefits for vacation leave and the vested benefits for sick leave totaled \$7,812. These amounts represent the current and non-current portion of the vested benefits and are reported as a liability of the fund from which the employee is paid.

NOTE 14 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability: Each occurrence Aggregate	Harcum-Hyre	\$2,000,000 5,000,000	\$ 5,000 100,000
Building and contents	United Insurance Service	5,262,866	1,000
Fleet: Comprehensive Collision	Harcum-Hyre	1,000,000 1,000,000	0 1,000

B. Health Insurance

The District joined together with other area school districts to form the North Central Ohio Joint Self-Insurance Association, a public entity risk pool for seven member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

C. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The GRP's business and affairs are

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP 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 GRP. 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 GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 15 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$82,380	\$23,824	\$106,204
Operating expenses	112,956	19,672	132,628
Operating income (loss)	(30,576)	4,152	(26,424)
Operating grants	13,257		13,257
Federal donated commodities	14,594		14,594
Net income (loss)	(2,410)	4,152	1,742
Net working capital	(4,291)	7,469	3,178
Total assets	13,737	7,971	21,708
Total liabilities	23,585	502	24,087
Total equity (deficit)	(9,848)	7,469	(2,379)
Encumbrances		502	502

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Board. 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$46,276, \$43,186, and \$56,544, respectively; 52.9 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$21,786, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 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. The District's required contributions to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$170,819, \$165,642, and \$156,716, respectively; 83.6 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$27,996, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

NOTE 17 - 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$97,611 during fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. An increase from 6.3 percent for fiscal year 1999. 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 2000, the minimum pay has been established at \$12,400. 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 at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$45,984 during the 2000 fiscal year.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances -Budget and Actual - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing Sources Over
(Under) Expenditures and Other Financing Uses
Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$203,441	\$40,669	\$42,038	\$1,400,050
Net adjustment for revenue accruals	29	4,931	9,039	(1)
Net adjustment for expenditure accruals	26,752	815	(21,855)	(10,166)
Net adjustment for other financing sources (uses)	(11,477)	(9,000)	21,855	(1,275,540)
Encumbrances (budget basis)	10,211	8,669		88,837
GAAP basis	<u>\$228,956</u>	<u>\$46,084</u>	<u>\$51,077</u>	<u>\$203,180</u>

NOTE 19 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

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

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$1,736,261 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine that effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 20 - 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, 1999, the reserve activity was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of June 30, 1999			\$32,123
Current year set-aside requirement		\$60,075	21,150
Current year offsets		(86,921)	
Qualifying disbursements			
Total		(\$26,846)	\$53,273
Cash balance carried forward to FY 2001			\$53,273

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

The current year set aside normally required for textbooks and instructional materials was not necessary as the District obtained proper legal approval from the Superintendent, New Riegel Education Association and by a unanimous vote of the Board of Education to appropriate the funds for other purposes.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	\$53,273
--------------------------------------------	----------



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

New Riegel Local School District
Seneca County
44 North Perry Street
P.O. Box 207
New Riegel, Ohio 44853-0207

To the Board of Education:

We have audited the financial statements of the New Riegel Local School District, Seneca County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the New Riegel Local School District in a separate letter dated November 17, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements in amounts that would be material in relation to the financial statements 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 financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the New Riegel Local School District in a separate letter dated November 17, 2000.

New Riegel Local School District
Seneca County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

November 17, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NEW RIEGEL LOCAL SCHOOL DISTRICT

SENECA 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
DECEMBER 5, 2000**