



**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



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, 1999, 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 Local School District, Seneca County, as of June 30, 1999, 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.

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, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$53,280	\$29,943	\$85,438	\$190,544
Cash with fiscal agent		19,426		
Receivables (net of allowances of uncollectibles):				
Taxes - current and delinquent	638,662		5,690	
Accounts	10	553		
Accrued interest	72			
Prepayments	3,450			
Materials and supplies inventory	3,026			
Restricted assets:				
Equity in pooled cash and cash equivalents	32,123			
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	\$730,623	\$49,922	\$91,128	\$190,544

<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>			
\$10,717	\$29,322			\$399,244
				19,426
				644,352
341				904
				72
				3,450
1,964				4,990
				32,123
2,255		\$4,607,979		4,610,234
			\$86,069	86,069
			260,199	260,199
<u>\$15,277</u>	<u>\$29,322</u>	<u>\$4,607,979</u>	<u>\$346,268</u>	<u>\$6,061,063</u>

(Continued)

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$5,534	\$804		\$36
Accrued wages and benefits	192,429	5,235		
Compensated absences payable	19,833			
Pension obligation payable	32,634			
Deferred revenue	509,067		\$5,059	
Due to students				
Due to other governments				
General obligation bonds payable				
Energy conservation loan payable				
Total liabilities	759,497	6,039	5,059	36
Equity and Other Credits:				
Investment in general fixed assets				
Retained earnings (accumulated deficit):				
Unreserved				
Fund balances:				
Reserved for encumbrances	228	1,121		167,736
Reserved for materials and supplies inventory	3,026			
Reserved for prepayments	3,450			
Reserved for debt service			85,438	
Reserved for tax revenue unavailable for appropriation	63,514		631	
Reserved for budget stabilization	32,123			
Unreserved-undesignated (deficit)	(131,215)	42,762		\$22,772
Total equity and other credits	(28,874)	43,883	86,069	190,508
Total liabilities, equity and other credits	\$730,623	\$49,922	\$91,128	\$190,544

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>			
\$71				\$6,445
5,768				203,432
3,744			\$162,961	186,538
8,269			24,798	65,701
1,546				515,672
	\$26,374			26,374
	2,948			2,948
			75,000	75,000
			83,509	83,509
<u>19,398</u>	<u>29,322</u>		<u>346,268</u>	<u>1,165,619</u>
		\$4,607,979		4,607,979
(4,121)				(4,121)
				169,085
				3,026
				3,450
				85,438
				64,145
				32,123
				(65,681)
<u>(4,121)</u>		<u>4,607,979</u>		<u>4,895,444</u>
<u>\$15,277</u>	<u>\$29,322</u>	<u>\$4,607,979</u>	<u>\$346,268</u>	<u>\$6,061,063</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, 1999**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$716,952	
Tuition		\$574
Earnings on investments	12,990	
Other local revenues	34,904	61,087
Intergovernmental - State	1,691,682	14,451
Intergovernmental - Federal		64,792
	2,456,528	140,904
Expenditures:		
Current:		
Instruction:		
Regular	1,202,949	22,139
Special	179,471	18,981
Vocational	19,486	
Support services:		
Pupil	78,236	7,812
Instructional staff	117,549	31,220
Board of Education	9,626	
Administration	223,597	329
Fiscal	80,298	175
Operations and maintenance	163,870	5,849
Pupil transportation	146,300	3,748
Extracurricular activities	62,013	57,125
Facilities acquisition and construction	23,173	
Debt service:		
Principal retirement		
Interest and fiscal charges		
	2,306,568	147,378
Excess of revenues over (under) expenditures	149,960	(6,474)
Other financing sources (uses):		
Operating transfers in		
Operating transfers out	(107,554)	
Proceeds from sales of fixed assets	1,314	
	(106,240)	
Excess of of revenues and other financing sources over (under) expenditures and other financing uses	43,720	(6,474)
Fund balances (deficit), July 1	(72,970)	50,357
Increase in reserve for inventory	376	
Fund balances (deficit), June 30	(\$28,874)	\$43,883

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	
\$21,700		\$738,652
	\$1,511	574
		14,501
2,534	442,903	95,991
		2,151,570
		64,792
<u>24,234</u>	<u>444,414</u>	<u>3,066,080</u>
	29,082	1,254,170
		198,452
		19,486
		86,048
		148,769
		9,626
		223,926
469		80,942
	8,071	177,790
		150,048
		119,138
	299,814	322,987
42,612		42,612
9,829		9,829
<u>52,910</u>	<u>336,967</u>	<u>2,843,823</u>
<u>(28,676)</u>	<u>107,447</u>	<u>222,257</u>
22,738	84,816	107,554
		(107,554)
		1,314
<u>22,738</u>	<u>84,816</u>	<u>1,314</u>
(5,938)	192,263	223,571
92,007	(1,755)	67,639
		376
<u>\$86,069</u>	<u>\$190,508</u>	<u>\$291,586</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, 1999**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$716,196	\$712,642	(\$3,554)			
Tuition				\$702	\$574	(\$128)
Earnings on investments	13,399	13,333	(66)			
Other local revenues	35,800	35,622	(178)	70,670	57,814	(12,856)
Intergovernmental - State	1,700,120	1,691,683		14,692	12,019	(2,673)
Intergovernmental - Federal				79,786	65,272	(14,514)
Total revenues	<u>2,465,515</u>	<u>2,453,280</u>	<u>(3,798)</u>	<u>165,850</u>	<u>135,679</u>	<u>(30,171)</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,231,499	1,201,424	30,075	22,498	19,942	2,556
Special	181,652	174,923	6,729	25,281	21,882	3,399
Vocational	21,513	19,486	2,027			
Support services:						
Pupil	89,925	77,704	12,221	8,881	6,737	2,144
Instructional staff	129,999	121,060	8,939	29,922	28,651	1,271
Board of Education	13,850	9,575	4,275			
Administration	227,820	224,430	3,390			
Fiscal	83,300	78,827	4,473			
Operations and maintenance	178,927	162,436	16,491	8,054	5,849	2,205
Pupil transportation	154,795	148,995	5,800	4,000	3,455	545
Extracurricular activities	63,300	62,786	514	103,982	57,983	45,999
Facilities acquisition and construction	23,200	23,173	27			
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	<u>2,399,780</u>	<u>2,304,819</u>	<u>94,961</u>	<u>202,618</u>	<u>144,499</u>	<u>58,119</u>
Excess of revenues over (under) expenditures	<u>65,735</u>	<u>148,461</u>	<u>82,726</u>	<u>(36,768)</u>	<u>(8,820)</u>	<u>27,948</u>
Other financing sources (uses):						
Refund of prior year's expenditures	1,997	1,987	(10)	3,441	2,815	(626)
Refund of prior year's (receipts)	(17)	(16)	1	(1,648)	(1,648)	
Operating transfers in	32,283	32,123	(160)			
Operating transfers (out)	(140,306)	(140,306)				
Advances in	7,665	7,627	(38)			
Advances (out)					(606)	(606)
Proceeds from sale of fixed assets	1,321	1,314	(7)			
Total other financing sources (uses)	<u>(97,057)</u>	<u>(97,271)</u>	<u>(214)</u>	<u>1,793</u>	<u>561</u>	<u>(1,232)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(31,322)</u>	<u>51,190</u>	<u>82,512</u>	<u>(34,975)</u>	<u>(8,259)</u>	<u>26,716</u>
Fund balances (deficit), July 1	24,188	24,188		33,178	33,178	
Prior year encumbrances appropriated	8,851	8,851		3,183	3,183	
Fund balances, June 30	<u>\$1,717</u>	<u>\$84,229</u>	<u>\$82,512</u>	<u>\$1,386</u>	<u>\$28,102</u>	<u>\$26,716</u>

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)
\$32,135	\$21,068	(\$11,067)				\$748,331	\$733,710	(\$14,621)
			\$1,627	\$1,511	(\$116)	702	574	(128)
						15,026	14,844	(182)
3,865	2,534	(1,331)	476,925	442,903	(34,022)	106,470	93,436	(13,034)
						2,195,602	2,149,139	(38,026)
						79,786	65,272	(14,514)
<u>36,000</u>	<u>23,602</u>	<u>(12,398)</u>	<u>478,552</u>	<u>444,414</u>	<u>(34,138)</u>	<u>3,145,917</u>	<u>3,056,975</u>	<u>(80,505)</u>
			59,262	29,046	30,216	1,313,259	1,250,412	62,847
						206,933	196,805	10,128
						21,513	19,486	2,027
						98,806	84,441	14,365
						159,921	149,711	10,210
						13,850	9,575	4,275
848	467	381				227,820	224,430	3,390
			31,756	30,808	948	84,148	79,294	4,854
						218,737	199,093	19,644
						158,795	152,450	6,345
						167,282	120,769	46,513
			501,162	467,551	33,611	524,362	490,724	33,638
26,297	25,000	1,297				26,297	25,000	1,297
4,703	4,703					4,703	4,703	
<u>31,848</u>	<u>30,170</u>	<u>1,678</u>	<u>592,180</u>	<u>527,405</u>	<u>64,775</u>	<u>3,226,426</u>	<u>3,006,893</u>	<u>219,533</u>
<u>4,152</u>	<u>(6,568)</u>	<u>(10,720)</u>	<u>(113,628)</u>	<u>(82,991)</u>	<u>30,637</u>	<u>(80,509)</u>	<u>50,082</u>	<u>130,591</u>
						5,438	4,802	(636)
						(1,665)	(1,664)	1
			115,816	107,554	(8,262)	148,099	139,677	(8,422)
				(7,021)	(7,021)	(140,306)	(147,327)	(7,021)
						7,665	7,627	(38)
							(606)	(606)
						1,321	1,314	(7)
			<u>115,816</u>	<u>100,533</u>	<u>(15,283)</u>	<u>20,552</u>	<u>3,823</u>	<u>(16,729)</u>
4,152	(6,568)	(10,720)	2,188	17,542	15,354	(59,957)	53,905	113,862
92,006	92,006		(50,529)	(50,529)		98,843	98,843	
			55,794	55,794		67,828	67,828	
<u>\$96,158</u>	<u>\$85,438</u>	<u>(\$10,720)</u>	<u>\$7,453</u>	<u>\$22,807</u>	<u>\$15,354</u>	<u>\$106,714</u>	<u>\$220,576</u>	<u>\$113,862</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, 1999**

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$20,778
Sales/charges for services	76,159
Total operating revenues	96,937
Operating expenses:	
Personal services	49,743
Contract services	2,277
Materials and supplies	74,245
Total operating expenses	126,265
Operating loss	(29,328)
Nonoperating revenues:	
Operating grants	14,744
Federal commodities	15,217
Interest revenue	121
Total nonoperating revenues	30,082
Net income	754
Retained earnings (accumulated deficit), July 1	(4,875)
Retained earnings (accumulated deficit), June 30	(\$4,121)

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, 1999**

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$20,716
Cash received from sales/service charges	77,315
Cash payments for personal services	(47,573)
Cash payments for contract services	(2,206)
Cash payments supplies and materials	(58,664)
Net cash used in operating activities	(10,412)
Cash flows from noncapital financing activities:	
Cash received from operating grants	14,744
Cash flows from investing activities:	
Interest received	121
Net increase in cash and cash equivalents	4,453
Cash and cash equivalents at beginning of year	6,264
Cash and cash equivalents at end of year	\$10,717
 Reconciliation of operating loss to net cash used in operating activities	
Operating loss	(\$29,328)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Federal donated commodities	15,217
Changes in assets and liabilities:	
Decrease in accounts receivable	1,094
Decrease in materials and supplies inventory	746
Increase in accounts payable	71
Decrease in accrued wages and benefits	(4,445)
Decrease in compensated absences payable	(1,654)
Increase in pension obligation payable	8,269
Decrease in deferred revenue	(382)
Net cash used in operating activities	(\$10,412)

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, 1999**

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 612 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 28 non-certified and 33 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, 1999
(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 § 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 13 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
JUNE 30, 1999
(Continued)**

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, 1999, and which are intended to finance fiscal 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 1999 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 1999.
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.
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.
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

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appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 1999.

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 17 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 14 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 1999, 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, 1999.

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 1999 amounted to \$12,990, which includes \$10,239 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.

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

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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. Prepays

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

Non-Reimbursable Grants

Special Revenue Funds

Management Information Systems

Title I

Title II

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Title VI-B
Teacher Development
Textbook/Instructional Material Subsidy
Conflict Management Grant
Eisenhower
Drug Free Grant
Telecommunications Grant
Continuous Improvement Development Grant
Capital Projects Fund
Technology Equity
SchoolNet
Emergency Building Repair

Reimbursable Grants

General Fund
Driver Education
School Bus Purchases
Enterprise Funds
National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 70% of the District's operating revenue during the 1999 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 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

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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, 1999.
- 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, 1999.

An analysis of interfund transactions is presented in Note 5.

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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 19 for details 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. Deficit Fund Balances

Fund balances at June 30, 1999 included the following fund deficits:

	<u>Deficit Balance</u>
General Fund	\$(28,874)
<u>Special Revenue Funds</u>	
Management Information Systems	(747)
Conflict Management Grant	(1)
Title I	(30)

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

The deficit balance in the general fund is caused by the application of GAAP, namely in the reporting of a liability for accounts payable, accrued wages and benefits, compensated absences, and pension obligation payable. These deficit balances will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit balances in the Management Information Systems, Conflict Management Grant, and Title I 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. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

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B. 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	\$168

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 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;

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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 \$19,426 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 \$225,324 and the bank balance was \$281,141. Of the bank balance:

Category 1 - \$205,403 was covered by federal deposit insurance.

Category 2 - \$75,738 was uninsured and unregistered because it was secured by collateral held by third party trustees pursuant to § 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 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.

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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	\$206,043	\$206,043

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	\$450,793	
Investments of the cash management pool:		
Investment in STAR Ohio	(206,043)	\$206,043
Cash with fiscal agent	(19,426)	
GASB Statement No. 3	\$225,324	\$206,043

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 1999:

	Transfers In	Transfers Out
General Fund		\$107,554
Debt Service Fund	\$22,738	
Capital Project Funds		
Permanent Improvement	77,816	
Capital Facilities ADA Grant	7,000	
Total	\$107,554	\$107,554

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

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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 1998 taxes were collected was \$21,428,495. Agricultural/Residential and public utility real estate represented 81.18% or \$17,395,900 of this total; Commercial and Industrial real estate represented 5.47% or \$1,171,990 of this total, public utility tangible represented 8.14% or \$1,744,390 of this total and general tangible property represented 5.21% or \$1,116,215 of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$37.50 per \$1,000.00 of assessed valuation for operations and \$0.50 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 1993.

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, 1999. 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 \$64,145 was available to the District as an advance at June 30, and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, 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.

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NOTE 8 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accrued interest, intergovernmental state grants and accounts (student fees and tuition). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$638,662
<u>Debt Service Fund</u>	
Taxes - current and delinquent	5,690

NOTE 9 - FIXED ASSETS

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

	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Land/Improvements	\$9,053	\$4,031		\$13,084
Buildings/Improvements	3,190,032	303,513		3,493,545
Furniture/Equipment	687,115	32,509		719,624
Vehicles	381,726			381,726
Total	\$4,267,926	\$340,053		\$4,607,979

There was no significant construction in progress.

A summary of the proprietary fixed assets at June 30, 1999 follows:

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

NOTE 10 - OPERATING LEASES

The District rents the elementary school building from St. Boniface Parish. The District had a contract that ran from August 21, 1997 to June 10, 1999. During fiscal year 1999, the District paid \$19,600 in rent. The District renewed the contract at the end of the term. The current contract runs from June 11, 1999 to June 15, 2001, with \$20,000 in rent paid to the Parish annually.

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

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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, 1999:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 1998</u>	<u>Retired In 1999</u>	<u>Outstanding June 30, 1999</u>
Building Facilities Bond	5.38%	12/01/01	\$100,000	(\$25,000)	\$75,000
H.B. 264 - Energy Loan	5.00%	08/08/04	101,121	(17,612)	83,509
			<u>\$201,121</u>	<u>(\$42,612)</u>	<u>\$158,509</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:

<u>Fiscal Year</u>	<u>G.O. Bonds</u>			<u>Energy Conservation Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$25,000	\$3,359	\$28,359	\$17,612	4,175	\$21,787
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>\$75,000</u>	<u>\$6,047</u>	<u>\$81,047</u>	<u>\$83,509</u>	<u>\$12,071</u>	<u>\$95,580</u>

- C.** During the year ended June 30, 1999, 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.

	<u>Balance at July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at June 30, 1999</u>
Compensated absences	\$191,512		(\$28,551)	\$162,961
Pension obligation payable	24,855	\$24,798	(24,855)	24,798
Energy conservation loan payable	101,121		(17,612)	83,509
General obligation bonds payable	100,000		(25,000)	75,000
Total	<u>\$417,488</u>	<u>\$24,798</u>	<u>(\$96,018)</u>	<u>\$346,268</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, 1999 are a voted debt margin of \$1,939,634 and an unvoted debt margin of \$21,428.

NOTE 12 - 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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

employees has been recorded in the general long-term obligations account group. Sick leave in the proprietary funds are expended when earned.

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. At June 30, 1999, there were no vested benefits for vacation leave for governmental fund type employees and vested benefits for sick leave totaled \$162,961. 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 and vested benefits for sick leave totaled \$6,850 and \$12,983, respectively, and have been reported as a liability of the governmental funds. For proprietary fund types, there were no vested benefits for vacation leave and the vested benefits for sick leave totaled \$3,744. 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 13 - 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	Harcum-Hyre	\$2,000,000	\$ 5,000
Aggregate		5,000,000	100,000
Building and contents	United Insurance Service	5,262,866	1,000
Fleet: Comprehensive	Harcum-Hyre	1,000,000	0
Collision		1,000,000	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 conducted by a three member Board of Directors consisting of the President, the President-Elect and

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

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 14 - 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, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$76,159	\$20,778	\$96,937
Operating expenses	107,895	18,370	126,265
Operating income (loss)	(31,736)	2,408	(29,328)
Operating grants	14,744		14,744
Federal donated commodities	15,217		15,217
Net income (loss)	(1,654)	2,408	754
Net working capital	(5,949)	3,317	(2,632)
Total assets	11,960	3,317	15,277
Total liabilities	19,398		19,398
Total equity (deficit)	(7,438)	3,317	(4,121)
Encumbrances	75		75

NOTE 15 - 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 public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 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 for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$43,186, \$56,544, and \$54,396, respectively; 51 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$21,348, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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 for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$165,642, \$156,716, and \$146,384, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$26,300, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

NOTE 16 - 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 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. Through June 30, 1999, the Board

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

allocated employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$94,653 during fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219.224 million and STRS had 91,999 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 4.98 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 1999, 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 125 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, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$32,426 during the 1999 fiscal year.

NOTE 17 - 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, 1999
(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	\$51,190	(\$8,259)	(\$6,568)	\$17,542
Net adjustment for revenue accruals	3,248	5,225	632	
Net adjustment for expenditure accruals	(2,923)	(4,721)	(22,740)	22,703
Net adjustment for other financing sources (uses)	(8,969)	(561)	22,738	(15,717)
Encumbrances (budget basis)	1,174	1,842		167,735
GAAP basis	<u>\$43,720</u>	<u>(\$6,474)</u>	<u>(\$5,938)</u>	<u>\$192,263</u>

NOTE 18 - 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, 1999.

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, 1999
(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 19 - 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:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1998			\$13,148
Current year set-aside requirement	\$37,800	\$37,800	18,975
Current year offsets	(13,902)	(100,554)	
Qualifying disbursements	<u>(28,411)</u>	<u>(3,573)</u>	
Total	<u>(\$4,513)</u>	<u>(\$66,327)</u>	<u>\$32,123</u>
Cash balance carried forward to FY 2000			<u>\$32,123</u>

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$32,123</u>
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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, 1999, 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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1999**

Finding Number	Finding Summary	Fully Corrected?	Corrected:
1998-10574-001	ORC § 5705.41(B) expenditures plus encumbrances exceeded appropriations.	Yes	The District monitored budgets closely throughout the year to prevent this violation from reoccurring.
1998-10574-002	ORC § 5705.41(D) contracts and expenditures shall be certified by the fiscal officer.	Yes	Same as above.



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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**