



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

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**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 (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2002 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

November 27, 2002

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**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$387,165	\$75,423	\$103,025	\$5,408,845
Cash with fiscal agent		263		
Receivables (net of allowances of uncollectibles):				
Taxes - current and delinquent	706,710	13,763	121,412	
Accounts	20			
Accrued interest	45			
Due from other governments				4,520,360
Materials and supplies inventory	3,710			
Prepayments	4,668			4,792
Restricted assets:				
Equity in pooled cash and cash equivalents	38,527			
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>Other debits:</b>				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term obligations				
<b>Total assets and other debits</b>	<b><u>\$1,140,845</u></b>	<b><u>\$89,449</u></b>	<b><u>\$224,437</u></b>	<b><u>\$9,933,997</u></b>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$24,786	\$33,139			\$6,032,383 263
				841,885
177				197
1,276				45
3,205				4,521,636
				6,915
				9,460
				38,527
2,255		\$6,160,223		6,162,478
			\$117,245	117,245
			1,393,542	1,393,542
<b>\$31,699</b>	<b>\$33,139</b>	<b>\$6,160,223</b>	<b>\$1,510,787</b>	<b>\$19,124,576</b>

(Continued)

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001  
(Continued)

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$409	\$168		\$113
Contracts payable				121,539
Accrued wages and benefits	223,049	3,124		
Compensated absences payable	6,022			
Pension obligation payable	35,727	543		
Deferred revenue	532,464	12,156	\$107,192	4,355,737
Due to other governments				
Due to students				
Bond anticipation notes payable				
General obligation bonds payable				
Energy conservation loan payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	797,671	15,991	107,192	4,477,389
<b>Equity and other credits:</b>				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	7,408	2,776		347,247
Reserved for materials and supplies inventory	3,710			
Reserved for prepayments	4,668			4,792
Reserved for debt service			107,410	
Reserved for tax revenue unavailable for appropriation	48,852	1,115	9,835	
Reserved for textbooks	38,527			
Unreserved-undesignated	240,009	69,567		5,104,569
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity and other credits	343,174	73,458	117,245	5,456,608
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities, equity and other credits</b>	<b>\$1,140,845</b>	<b>\$89,449</b>	<b>\$224,437</b>	<b>\$9,933,997</b>

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$375				\$1,065
				121,539
5,772				231,945
2,719			\$174,989	183,730
7,984			27,513	71,767
2,017				5,009,566
	\$836			836
	32,303			32,303
			250,000	250,000
			1,010,000	1,010,000
			48,285	48,285
18,867	33,139		1,510,787	6,961,036
		\$6,160,223		6,160,223
12,832				12,832
				357,431
				3,710
				9,460
				107,410
				59,802
				38,527
				5,414,145
12,832		6,160,223		12,163,540
<b>\$31,699</b>	<b>\$33,139</b>	<b>\$6,160,223</b>	<b>\$1,510,787</b>	<b>\$19,124,576</b>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
From local sources:		
Taxes	\$869,841	\$13,559
Tuition		1,060
Earnings on investments	44,861	791
Extracurricular	10,000	55,138
Other local revenues	31,521	274
Intergovernmental - State	1,959,250	41,469
Intergovernmental - Federal		72,359
Total revenue	<u>2,915,473</u>	<u>184,650</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	1,260,094	37,830
Special	169,230	61,751
Vocational	54,224	
Support services:		
Pupil	96,505	7,675
Instructional staff	84,691	4,604
Board of Education	6,245	
Administration	221,815	659
Fiscal	99,133	786
Operations and maintenance	192,739	4,890
Pupil transportation	180,442	3,908
Extracurricular activities	67,017	60,884
Facilities acquisition and construction	20,000	
Debt service:		
Principal retirement		
Interest and fiscal charges		
Bond issuance costs		
Total expenditures	<u>2,452,135</u>	<u>182,987</u>
Excess of revenues over (under) expenditures	<u>463,338</u>	<u>1,663</u>
<b>Other financing sources (uses):</b>		
Operating transfers in		
Operating transfers out	(320,940)	
Premium and accrued interest on bonds sold		
Note Proceeds		
Proceeds from sale of bonds		
Total other financing sources (uses)	<u>(320,940)</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	142,398	1,663
Fund balances, July 1	200,965	71,795
Increase in reserve for inventory	(189)	
<b>Fund balances, June 30</b>	<u><b>\$343,174</b></u>	<u><b>\$73,458</b></u>

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

<b>Governmental Fund Types</b>		
<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total (Memorandum Only)</b>
\$17,995	\$101,003	\$1,002,398
		1,060
	143,911	189,563
		65,138
		31,795
13,517	4,434,675	6,448,911
		72,359
<u>31,512</u>	<u>4,679,589</u>	<u>7,811,224</u>
	45,521	1,343,445
		230,981
		54,224
		104,180
	299	89,594
		6,245
	676	223,150
6,545		106,464
	26,199	223,828
	23,550	207,900
		127,901
	1,004,921	1,024,921
42,612		42,612
23,196	55,437	78,633
	9,850	9,850
<u>72,353</u>	<u>1,166,453</u>	<u>3,873,928</u>
<u>(40,841)</u>	<u>3,513,136</u>	<u>3,937,296</u>
20,940	300,000	320,940
		(320,940)
	14,784	14,784
	250,000	250,000
	985,000	985,000
<u>20,940</u>	<u>1,549,784</u>	<u>1,249,784</u>
(19,901)	5,062,920	5,187,080
137,146	393,688	803,594
		(189)
<u><b>\$117,245</b></u>	<u><b>\$5,456,608</b></u>	<u><b>\$5,990,485</b></u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<b>General</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
From local sources:			
Taxes	\$777,047	\$818,268	\$41,221
Tuition			
Earnings on investments	42,617	44,878	2,261
Extracurricular	9,496	10,000	504
Other local revenues	23,376	24,616	1,240
Intergovernmental - State	1,857,117	1,955,634	98,517
Intergovernmental - Federal			
Total revenues	<u>2,709,653</u>	<u>2,853,396</u>	<u>143,743</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,310,929	1,249,481	61,448
Special	230,900	162,211	68,689
Vocational	55,131	49,349	5,782
Support services:			
Pupil	98,800	95,780	3,020
Instructional staff	102,411	86,403	16,008
Board of Education	14,575	6,386	8,189
Administration	244,735	221,543	23,192
Fiscal	103,800	97,450	6,350
Operations and maintenance	213,642	198,181	15,461
Pupil transportation	191,665	182,962	8,703
Extracurricular activities	67,825	67,340	485
Facilities acquisition and construction	20,000	20,000	
Debt service:			
Bond issuance costs			
Principal retirement	17,612	17,612	
Interest and fiscal charges	3,388	3,328	60
Total expenditures	<u>2,675,413</u>	<u>2,458,026</u>	<u>217,387</u>
Excess of revenues over (under) expenditures	<u>34,240</u>	<u>395,370</u>	<u>361,130</u>
<b>Other financing sources (uses):</b>			
Advances in	8,547	9,000	453
Advances out			
Operating transfers in	87,569	92,214	4,645
Operating transfers out	(392,214)	(392,214)	
Proceeds from sale of notes			
Premium and accrued interest on bonds sold			
Refund of prior year expenditure	13,746	14,475	729
Proceeds from sale of bonds			
Total other financing sources (uses)	<u>(282,352)</u>	<u>(276,525)</u>	<u>5,827</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses).	(248,112)	118,845	366,957
Fund balances, July 1	288,844	288,844	
Prior year encumbrances appropriated	10,221	10,221	
Fund balances, June 30	<u><u>\$50,953</u></u>	<u><u>\$417,910</u></u>	<u><u>\$366,957</u></u>



Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$13,561	\$13,214	(\$347)	\$113,495	\$114,321	\$826
1,088	1,060	(28)			
812	791	(21)			
56,585	55,138	(1,447)			
1,856	1,809	(47)			
40,616	39,577	(1,039)	13,419	13,517	98
73,635	71,753	(1,882)			
<u>188,153</u>	<u>183,342</u>	<u>(4,811)</u>	<u>126,914</u>	<u>127,838</u>	<u>924</u>
66,377	37,104	29,273			
55,649	60,697	(5,048)			
8,474	7,679	795			
3,871	2,905	966			
500	500				
3,500	772	2,728	9,050	6,418	2,632
7,480	4,890	2,590			
5,000	3,693	1,307			
83,921	62,893	21,028			
				9,850	(9,850)
			1,310,500	1,310,500	
			77,000	75,305	1,695
<u>234,772</u>	<u>181,133</u>	<u>53,639</u>	<u>1,396,550</u>	<u>1,402,073</u>	<u>(5,523)</u>
<u>(46,619)</u>	<u>2,209</u>	<u>48,828</u>	<u>(1,269,636)</u>	<u>(1,274,235)</u>	<u>(4,599)</u>
	(9,000)	(9,000)			
			248,194	250,000	1,806
				14,784	14,784
			982,782	985,000	2,218
	<u>(9,000)</u>	<u>(9,000)</u>	<u>1,230,976</u>	<u>1,249,784</u>	<u>18,808</u>
(46,619)	(6,791)	39,828	(38,660)	(24,451)	14,209
70,613	70,613		127,476	127,476	
8,669	8,669				
<u><b>\$32,663</b></u>	<u><b>\$72,491</b></u>	<u><b>\$39,828</b></u>	<u><b>\$88,816</b></u>	<u><b>\$103,025</b></u>	<u><b>\$14,209</b></u>

(Continued)

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)

	<b>Capital Projects</b>		
	<b>Budget Revised</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
From local sources:			
Taxes			
Tuition			
Earnings on investments	\$66,034	\$143,911	\$77,877
Extracurricular			
Other local revenues			
Intergovernmental - State	1,959,311	4,270,052	2,310,741
Intergovernmental - Federal			
Total revenues	<u>2,025,345</u>	<u>4,413,963</u>	<u>2,388,618</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	59,600	45,576	14,024
Special			
Vocational			
Support services:			
Pupil			
Instructional staff	1,000	299	701
Board of Education			
Administration	2,000	777	1,223
Fiscal			
Operations and maintenance	54,688	26,199	28,489
Pupil transportation	25,350	23,549	1,801
Extracurricular activities			
Facilities acquisition and construction	3,567,850	1,357,011	2,210,839
Debt service:			
Bond issuance costs			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>3,710,488</u>	<u>1,453,411</u>	<u>2,257,077</u>
Excess of revenues over (under) expenditures	<u>(1,685,143)</u>	<u>2,960,552</u>	<u>4,645,695</u>
<b>Other financing sources (uses):</b>			
Advances in			
Advances out			
Operating transfers in	137,655	300,000	162,345
Operating transfers out			
Proceeds from sale of notes			
Premium and accrued interest on bonds sold			
Refund of prior year expenditure			
Proceeds from sale of bonds			
Total other financing sources (uses)	<u>137,655</u>	<u>300,000</u>	<u>162,345</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses).	(1,547,488)	3,260,552	4,808,040
Fund balances, July 1	1,590,592	1,590,592	
Prior year encumbrances appropriated	88,837	88,837	
<b>Fund balances, June 30</b>	<b><u>\$131,941</u></b>	<b><u>\$4,939,981</u></b>	<b><u>\$4,808,040</u></b>

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

<b>Total (Memorandum only)</b>		
<b>Budget Revised</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$904,103	\$945,803	\$41,700
1,088	1,060	(28)
109,463	189,580	80,117
66,081	65,138	(943)
25,232	26,425	1,193
3,870,463	6,278,780	2,408,317
73,635	71,753	(1,882)
<b>5,050,065</b>	<b>7,578,539</b>	<b>2,528,474</b>
1,436,906	1,332,161	104,745
286,549	222,908	63,641
55,131	49,349	5,782
107,274	103,459	3,815
107,282	89,607	17,675
14,575	6,386	8,189
247,235	222,820	24,415
116,350	104,640	11,710
275,810	229,270	46,540
222,015	210,204	11,811
151,746	130,233	21,513
3,587,850	1,377,011	2,210,839
	9,850	(9,850)
1,328,112	1,328,112	
80,388	78,633	1,755
<b>8,017,223</b>	<b>5,494,643</b>	<b>2,522,580</b>
<b>(2,967,158)</b>	<b>2,083,896</b>	<b>5,051,054</b>
8,547	9,000	453
	(9,000)	(9,000)
225,224	392,214	166,990
(392,214)	(392,214)	
248,194	250,000	1,806
	14,784	14,784
13,746	14,475	729
982,782	985,000	2,218
<b>1,086,279</b>	<b>1,264,259</b>	<b>177,980</b>
(1,880,879)	3,348,155	5,229,034
2,077,525	2,077,525	
107,727	107,727	
<b>\$304,373</b>	<b>\$5,533,407</b>	<b>\$5,229,034</b>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<b>Enterprise</b>
<b>Operating revenues:</b>	
Tuition and fees	\$22,073
Sales/charges for services	85,851
Total operating revenues	107,924
<b>Operating expenses:</b>	
Personal services	47,155
Contract services	2,139
Materials and supplies	75,922
Total operating expenses	125,216
Operating loss	(17,292)
<b>Nonoperating revenues:</b>	
Operating grants	13,970
Federal commodities	15,114
Interest revenue	407
Total nonoperating revenues	29,491
Net income	12,199
Retained earnings, July 1 (restated see Note 3)	633
<b>Retained earnings, June 30</b>	<b>\$12,832</b>

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<b>Enterprise</b>
<b>Cash flows from operating activities:</b>	
Cash received from tuition and fees	\$22,179
Cash received from sales/service charges	85,832
Cash payments for personal services	(49,144)
Cash payments for contract services	(1,764)
Cash payments for materials and supplies	(61,707)
Net cash used in operating activities	(4,604)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from operating grants	14,010
Net cash provided by noncapital financing activities	14,010
<b>Cash flows from investing activities:</b>	
Interest received	407
Net cash provided by investing activities	407
Net increase in cash and cash equivalents	9,813
Cash and cash equivalents at beginning of year	14,973
<b>Cash and cash equivalents at end of year</b>	<b>\$24,786</b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	(\$17,292)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	
Federal donated commodities	15,114
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(305)
Decrease in accounts receivable	87
Decrease in accounts payable	(127)
Decrease in accrued wages and benefits	(88)
Decrease in compensated absences payable	(2,081)
Increase in due to other governments	
Increase in pension obligation payable	180
Decrease in deferred revenue	(92)
<b>Net cash used in operating activities</b>	<b>(\$4,604)</b>

*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 GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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 608th largest by enrollment among the 682 public and community school 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 32 non-certified and 34 certified employees to provide services to 482 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) 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 interdependence. 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.

PUBLIC ENTITY RISK POOLS

North Central Ohio Joint Self-Insurance Association (Association)

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, the Sandusky County Educational Service Center, and five local school districts - Tiffin,

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to § 9.833, Ohio Revised Code, 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, the North Central Ohio Educational Service Center, and the Sandusky County Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 14 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 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 Career Center

The Vanguard-Sentinel Career Center 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 Career Center, Jay Valesek, who serves as Treasurer, at 1306 Cedar Street, Fremont, Ohio 43420-1197.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**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 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.

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).

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 is the District's proprietary fund type.

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.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Agency Funds* – The agency funds are used to account for assets held by the District as an agent for individual, private organizations, other governments, or other funds.

**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 and agency 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 2002 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from income taxes is recognized when the underlying exchange has occurred and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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.

The proprietary funds are accounted for on the full 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.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes or income taxes.

**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 2001 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 2001.
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 for all funds except grant funds and student activity funds which are enacted at the fund level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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 student activity funds and grant funds, the District has elected to present budgetary statement comparisons at the fund 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 for all funds except grant funds and student activity funds which must be approved when revisions alter the total of any fund appropriation.
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 appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001. The amounts reported in the budgetary statement reflect the original appropriations plus all amendments legally enacted by the Board prior to June 30, 2001.
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 legal levels of budgetary controls

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 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 2001, 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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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, 2001.

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 2001 amounted to \$44,861, which includes \$28,284 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 original maturity of more than three months when acquired by the District 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 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 benefiting 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 is 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.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**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  
State Property Tax Relief

Special Revenue Funds

Classroom Facilities Maintenance Fund – State Property Tax Relief

Debt Service Fund

State Property Tax Relief

**Non-Reimbursable Grants**

Special Revenue Funds

Management Information Systems  
Title I  
Title VI  
Title VI-B  
Teacher Development  
Eisenhower  
Drug Free Grant  
SchoolNet Professional Development  
Ohio Reads  
Summer Intervention  
Safe School Helpline  
Classroom Reduction  
Network Connectivity  
Extended Learning Opportunity  
SIRI Transportation

Capital Projects Fund

Technology Equity  
SchoolNet  
Classroom Facilities

**Reimbursable Grants**

General Fund

Driver Education  
School Bus Purchases

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

Enterprise Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 83% of the District's operating revenue for governmental funds during the 2001 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 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 textbooks. 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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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:

1. 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.
2. 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.
3. 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, 2001.
4. 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, 2001.

An analysis of interfund transactions is presented in Note 5.

**N. Bond Discounts, Premiums and Interest Costs**

For governmental fund types, bond premiums and discounts, as well as issuance cost, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as capital projects expenditures. The long-term debt that appears in the general long-term obligations account group is always reported at the bond's face value.

**O. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a textbook reserve. This reserve is required by State statute. A fund balance reserve has also been established. See Note 21 for detail of statutory reserves.

**P. Estimates**

The preparation of the GPFS 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.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**Q. Memorandum Only - Total Columns**

Total columns on the GPFS 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**

Compensated absences payable in the Enterprise Funds as of June 30, 2000, was overstated. The effect of the restatement on the fund balance previously reported as of June 30, 2000 is as follows:

Retained Earnings Previously Reported at June 30, 2000	(\$2,379)
Effect of Restatement	<u>3,012</u>
Restated Retained Earnings at June 30, 2000	<u><u>\$633</u></u>

The effect of the restatement on the net income as previously reported for the year ended June 30, 2000 is as follows:

Net Income Previously Reported for the Year Ended June 30, 2000	\$1,742
Effect of Restatement	<u>3,012</u>
Net Income as Restated	<u><u>\$4,754</u></u>

**B. Change in Accounting Principle**

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues was implemented during fiscal 2001. These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues available. The adoption of these statements had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**C. Deficit Fund Balances**

Fund balances at June 30, 2001 included the following individual fund deficits:

	Deficit Balance
<u>Special Revenue Funds</u>	
Ohio Reads	\$23
Title I	51

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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 Ohio Reads 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. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

**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;

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
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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 25% 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 \$263 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 \$339,368 and the bank balance was \$397,294. Of the bank balance:

1. \$100,000 was covered by federal deposit insurance and
2. \$297,294 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School 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.

*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.

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The District had an investment of \$5,731,542 in STAR Ohio at June 30, 2001. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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	\$6,071,173	
Investments of the cash management pool:		
Investment in STAR Ohio	(5,731,542)	\$5,731,542
Cash with fiscal agent	(263)	
	\$339,368	\$5,731,542
GASB Statement No. 3		

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	Transfers In	Transfers Out
General Fund		\$320,940
Debt Service Fund	\$20,940	
Capital Project Funds:		
Permanent Improvement	300,000	
	\$320,940	\$320,940
Total		

**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 2000 taxes were

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collected was \$29,704,513. Agricultural/Residential and public utility real estate represented 82.77% or \$24,584,890 of this total; Commercial and Industrial real estate represented 7.2% or \$2,140,030 of this total, public utility tangible represented 5.44% or \$1,616,820 of this total and general tangible property represented 4.59% or \$1,362,773 of this total. The voted general tax rate at the fiscal year ended June 30, 2001 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, 2001. 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 \$59,802 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, 2001, 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, 2001, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, 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:

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	Amounts
<u>General Fund</u>	
Taxes - current and delinquent	\$706,710
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	13,763
<u>Debt Service Fund</u>	
Taxes - current and delinquent	121,412
<u>Capital Projects Funds</u>	
Due from other governments	4,520,360
<u>Enterprise Funds</u>	
Due from other governments	1,276

**NOTE 9 - FIXED ASSETS**

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

	Balance 7/1/00	Increase	Balance 6/30/01
Land / improvements	\$150,584	\$3,984	\$154,568
Buildings / improvements	3,617,553	21,076	3,638,629
Furniture / equipment	740,457	18,985	759,442
Vehicles	381,726	103,102	484,828
Construction in progress	115,652	1,007,104	1,122,756
<b>Total</b>	<b>\$5,005,972</b>	<b>\$1,154,251</b>	<b>\$6,160,223</b>

The construction in progress represents costs incurred by June 30, 2001 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 percent is being funded by the Ohio School Facilities Commission, is \$10,436,989. The scheduled date of completion is December 2002.

A summary of the proprietary fixed assets at June 30, 2001 follows:

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

**NOTE 10 - OPERATING LEASES**

The District rents the elementary school building from St. Boniface Parish. The current contract began June 1, 2001, and runs through May 31, 2003. During fiscal year 2001, the District paid \$20,000 in rent. The District has annual payments of \$21,000 due on February 1, 2002 and February 1, 2003.

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS**

- A.** During the current fiscal year, the District issued \$985,000 in general obligation bonds to provide funds for the construction of a new elementary, middle and high school (hereafter "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the capital projects fund. The source of payment is derived from a current 4.32 mill bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2001, the total estimated cost of the Construction Project is \$10,436,989 of which OSFC will pay \$9,288,920.

Interest payments on the general obligation bonds are due on December 1 and June 1 of each year. The final maturity stated in the issue is December 1, 2023.

In conjunction with the 4.32 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the Special Revenue funds.

- B.** During fiscal year 1978, the District issued Building Facilities general obligation bonds to provide for building additions and improvements. These bonds bear an interest rate of 5.38% and mature on December 1, 2001. Payments of principal and interest relating to these bonds are recorded as expenditures of the debt service fund. The unmatured obligation at year-end is reported in the general long-term obligations account group.
- C.** During fiscal year 1994, the District entered into an energy conversation loan to provide for energy improvements to various District buildings. The primary source of repayment of this loan is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year-end is accounted for in the general long-term debt account group.
- D.** The following is a description of the District's bonds and loan outstanding as of June 30, 2001:

	Interest Rates	Maturity Date	Bonds/Loan Outstanding 7/1/00	Bonds Issued in 2001	Bonds/Loan Retired in 2001	Bonds/Loan Outstanding 6/30/01
Building Facilities Bond	5.38%	12/1/01	\$50,000		(\$25,000)	\$25,000
Classroom Facilities Improvement Bonds	3.7% to 5.40%	12/1/23		\$985,000		985,000
H.B. 264 - Energy Loan	5.00%	8/1/04	65,897		(17,612)	48,285
			<u>\$115,897</u>	<u>\$985,000</u>	<u>(\$42,612)</u>	<u>\$1,058,285</u>

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

Fiscal Year	G.O. Bonds			Energy Conservation Loan		
	Principal	Interest	Total	Principal	Interest	Total
2002	\$55,000	\$44,635	\$99,635	\$17,612	\$2,414	\$20,026
2003	25,000	46,850	71,850	17,612	1,534	19,146
2004	25,000	45,900	70,900	13,061	653	13,714
2005	30,000	44,913	74,913			
2006	30,000	43,713	73,713			
2007-2011	165,000	199,405	364,405			
2012-2016	210,000	159,470	369,470			
2016-2020	270,000	99,090	369,090			
2020-2024	200,000	21,870	221,870			
Total	<u>\$1,010,000</u>	<u>\$705,846</u>	<u>\$1,715,846</u>	<u>\$48,285</u>	<u>\$4,601</u>	<u>\$52,886</u>

- F. During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance 7/1/00	Increase	Decrease	Balance 6/30/01
Compensated absences	\$196,195		\$21,206	\$174,989
Pension obligation payable	25,227	\$27,513	25,227	27,513
Energy conservation loan payable	65,897		17,612	48,285
Bank anticipatino Note		250,000		250,000
General obligation bonds payable	50,000	985,000	25,000	1,010,000
Total	<u>\$337,319</u>	<u>\$1,262,513</u>	<u>\$89,045</u>	<u>\$1,510,787</u>

**G. 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, 2001 are a voted debt margin of \$1,780,651 (including available funds of \$117,245) and an unvoted debt margin of \$29,705.

**NOTE 12 - NOTES PAYABLE**

- A. On February 2, 2000, the District issued \$1,285,500 in bond anticipation notes to begin the Construction Project (See Note 11.A.). These notes had an annual interest rate of 4.50%. The notes matured on January 17, 2001 and were retired through the issuance of general obligation bonds, a bond anticipation note and a cash payment made by the District. A summary of the bond anticipation note transactions for the year ended June 30, 2001 follows:



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	Principal Outstanding 7/1/00	Additions	Reductions	Principal Outstanding 6/30/01
Capital Projects Funds Bond Anticipation Notes - 4.50%	\$1,285,500		\$1,285,500	

- B.** On January 17, 2001, the District issued a \$250,000 in bond anticipation note. This note was issued in anticipation of issuance of bonds to pay the local share of school construction and to pay costs of acquiring a site for classroom facilities under the State of Ohio Classroom Facilities Assistance Program. The note matures on January 17, 2002, and bears an annual interest rate of 4.15%. Proceeds of this note were used to retire the bond anticipation note described in Note 12.A. The note is a general obligation of the District, for which the District's full faith and credit are pledged for repayment. This note is presented as a liability in the General Long-Term Obligation Account Group. A summary of the bond anticipation note activity for the year ended June 30, 2001 follows:

	Principal Outstanding 7/1/00	Additions	Reductions	Principal Outstanding 6/30/01
Bond Anticipation Note - 4.15%		\$250,000		\$250,000

**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 is expended when earned.

Upon retirement, a fully vested employee is entitled to 25% 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, 2001, the vested benefits for vacation leave for governmental fund type employees totaled \$287 and vested benefits for sick leave totaled \$174,702. 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 \$6,022, 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 \$2,719. 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

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injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

Coverage	Insurer	Limits of Coverage	Deductible
General liability:	Harcum-Hyre		
Each occurrence		\$2,000,000	\$1,000
Aggregate		5,000,000	1,000
Building and contents	United Insurance Service	5,262,866	1,000
Fleet:	Harcum-Hyre		
Comprehensive		1,000,000	
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. Workers' 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 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 Gates McDonald & 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. There has been no significant reduction in coverage from the last fiscal year.

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**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, 2001.

	Food Service	Uniform School Supplies	Total
Operating revenue	\$85,851	\$22,073	\$107,924
Operating expenses	106,926	18,290	125,216
Operating income (loss)	(21,075)	3,783	(17,292)
Operating grants	13,970		13,970
Federal donated commodities	15,114		15,114
Net income	8,416	3,783	12,199
Net working capital	7,688	11,252	18,940
Total assets	20,447	11,252	31,699
Total liabilities	18,867		18,867
Total equity	1,580	11,252	12,832
Encumbrances at June 30, 2001	700	2,044	2,744

**NOTE 16 - DEFINED BENEFIT PENSION PLAN**

**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 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 2001; 4.2 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, 2001, 2000 and 1999 were \$50,134, \$46,276, and \$43,186, respectively; 50.6 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$24,768, representing the unpaid contribution for fiscal year 2001, 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

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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. 9.5 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, 2001, 2000, and 1999 were \$179,851, \$170,819, and \$165,642, respectively; 83.86 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$29,028, representing the unpaid contribution for fiscal year 2001, 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 STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by State statute. Both STRS and SERS 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. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$57,809 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 9.8 percent of covered payroll. 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 2001, 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, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health

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care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$52,807 during the 2001 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).

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	\$118,845	(\$6,791)	(\$24,451)	\$3,260,552
Net adjustment for revenue accruals	62,077	1,308	(96,326)	265,626
Net adjustment for expenditure accruals	(1,891)	(4,786)	1,329,720	(181,906)
Net adjustment for other financing sources (uses)	(44,415)	9,000	(1,228,844)	1,249,784
Encumbrances (budget basis)	7,782	2,932		468,864
GAAP basis	\$142,398	\$1,663	(\$19,901)	\$5,062,920

**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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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, 2001.

**B. Litigation**

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

**C. State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 20 - CONTRACTUAL COMMITMENTS**

As of June 30, 2001, the District had the following contractual commitments outstanding related to the Construction Project described in Note 11.A. A summary of the primary contractual commitments follows.

Contract	Total Contract	Amount Paid	Remaining Commitment
Buehrer Group	\$580,000	\$362,841	\$217,159
Gilbane Co.	541,076	102,914	438,162
Cement Products	53,625		53,625
Alvada Construction	560,021	429,418	130,603
<b>Total</b>	<b>\$1,734,722</b>	<b>\$895,173</b>	<b>\$839,549</b>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**NOTE 21 - 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, 2001, 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, 2000			\$53,273
Current year set-aside requirement	\$56,609	\$56,609	
Current year set-aside for worker compensation			415
Elimination of budget stabilization reserve			(53,688)
Current year offsets		(300,000)	
Qualifying disbursements	<u>(18,082)</u>		
Total	<u>\$38,527</u>	<u>(\$243,391)</u>	
Cash balance carried forward to FY 2002	<u>\$38,527</u>		

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC § 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, through School Board action, all monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain a textbook reserve and capital acquisition reserve.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for textbooks	<u>\$38,527</u>
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STATE OF OHIO  
OFFICE OF THE AUDITOR

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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 (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 27, 2002.

**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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-10574-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also 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 District in a separate letter dated November 27, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

November 27, 2002

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2001**

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

**FINDING NUMBER 2001-10574-001**

**Reportable Condition - Student Activity Funds**

“Fund Raiser Proposal/Fund Raiser Reconciliation Forms” were not prepared for any of the fundraisers held in FY01 nor were the fundraisers approved by the Board. These weaknesses could allow fundraisers to be conducted contrary to the wishes of the Board and reduce controls. To improve controls over student activities, it is recommended that all fund raisers be approved by the Board and the “Fund Raiser Proposal/Fund Raiser Reconciliation Form” be completed for all student activity fund raisers and sales. The Treasurer should review the “Fund Raiser Proposal/Fund Raiser Reconciliation Forms” for completeness and accuracy.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
FEBRUARY 6, 2003**