



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

New Riegel Local School District  
Seneca County  
44 North Perry Street  
New Riegel, Ohio 44853-0207

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Riegel Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Riegel Local School District, Seneca County, Ohio, as of June 30, 2007, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2007, the District changed its financial statement presentation from accounting principles generally accepted in the United States of America to the cash basis comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but, is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

January 9, 2009

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED

The discussion and analysis of the New Riegel Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- The total net assets of the District increased \$368,010 or 35.68% from fiscal year 2006.
- General receipts accounted for \$3,079,799 or 78.47% of total governmental activities receipts. Program specific receipts accounted for \$845,108 or 21.53% of total governmental activities receipts.
- The District had \$3,556,897 in disbursements related to governmental activities; \$845,108 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily taxes) of \$3,079,799 were adequate to provide for these programs.
- The District's major funds are the general fund, debt service fund and permanent improvement fund. The general fund, the District's largest major fund, had total receipts and other financing sources of \$3,379,639 in 2007. The disbursements and other financing uses of the general fund, totaled \$3,149,067 in 2007. The general fund's balance increased \$230,572 or 52.99% from 2006 to 2007.
- The debt service fund had receipts of \$111,182 in 2007. The debt service fund had disbursements of \$73,539 in 2007. The debt service fund balance increased \$37,643 or 30.28% from 2006 to 2007.
- The permanent improvement fund had total receipts and other financing sources of \$79,370 in 2007. The permanent improvement fund had total disbursements of \$15,248 in 2007. The permanent improvement fund balance increased \$64,122 or 26.86% from 2006 to 2007.

**Using the Basic Financial Statements**

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

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

**Basis of Accounting**

The District has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be cash, cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the District as a Whole**

**Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and Statement of Activities reflect how the District did financially during fiscal year 2007, within the limitations of the cash basis accounting. The Statements of Net Assets presents the cash balances and investments of the governmental type activities of the District at fiscal year end. The Statement of Activities compares cash disbursements with program receipts of each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's net cash position and the changes in cash position. Keeping in mind the limitations of the cash basis accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well, such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

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

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be readily spent to finance various District programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund.

**Notes to the Financial Statements**

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

**The District as a Whole**

The table below provides a summary of the District's net assets for 2007 and 2006. The amounts for 2006 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2007 financial statements.

	<b>Net Assets</b>	
	Governmental	Restated
	Activities	Governmental
	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$1,399,143	\$1,030,962
Cash with fiscal agent	213	384
<b>Total assets</b>	<b><u>\$1,399,356</u></b>	<b><u>\$1,031,346</u></b>
<u>Net Assets</u>		
Restricted	\$774,320	\$576,048
Unrestricted	<u>625,036</u>	<u>455,298</u>
<b>Total net assets</b>	<b><u>\$1,399,356</u></b>	<b><u>\$1,031,346</u></b>

The total net assets of the District increased \$368,010, which represents a 35.68% increase from fiscal year 2006. The balance of government-wide unrestricted net assets of \$625,036 may be used to meet the District's ongoing obligations to citizens and creditors.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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The table below shows the changes in net assets for fiscal year 2007 and 2006. The amounts for 2006 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2007 financial statements.

**Change in Net Assets**

	Governmental Activities <u>2007</u>	Restated Governmental Activities <u>2006</u>
<b>Receipts:</b>		
Program receipts:		
Charges for services and sales	\$531,416	\$407,414
Operating grants and contributions	310,473	307,252
Capital grants and contributions	3,219	7,000
Total program receipts	<u>845,108</u>	<u>721,666</u>
General receipts:		
Property taxes	770,163	765,980
Income tax	294,707	268,215
Unrestricted grants	1,957,696	1,915,134
Investment earnings	45,943	31,608
Other	11,290	8,393
Total general receipts	<u>3,079,799</u>	<u>2,989,330</u>
Total receipts	<u>3,924,907</u>	<u>3,710,996</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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**Change in Net Assets**

	Governmental Activities <u>2007</u>	Restated Governmental Activities <u>2006</u>
<b>Disbursements:</b>		
Instruction:		
Regular	1,674,474	1,716,289
Special	371,253	398,102
Vocational	16,718	12,643
Other		15,301
Support services:		
Pupil	87,101	95,232
Instructional staff	125,155	117,275
Board of education	20,811	24,103
Administration	264,120	277,947
Fiscal	166,049	152,910
Operations and maintenance	357,705	355,887
Pupil transportation	117,981	189,524
Food service operations	123,114	122,390
Extracurricular activities	160,534	174,892
Facilities acquisition and construction		3,625
Debt service:		
Principal retirement	30,000	30,000
Interest and fiscal charges	41,882	43,104
Total disbursements	<u>3,556,897</u>	<u>3,729,224</u>
Change in net assets	368,010	(17,928)
Net assets at beginning of year	<u>1,031,346</u>	<u>1,049,274</u>
Net assets at end of year	<u><u>\$1,399,356</u></u>	<u><u>\$1,031,346</u></u>

**Governmental Activities**

Governmental assets increased by \$368,010 in 2007 from 2006. Total governmental disbursements of \$3,556,897 were offset by program receipts of \$845,108 and general receipts of \$3,079,799. Program receipts supported 23.76% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 77.01% of total governmental receipts. Real estate property is reappraised every six years.

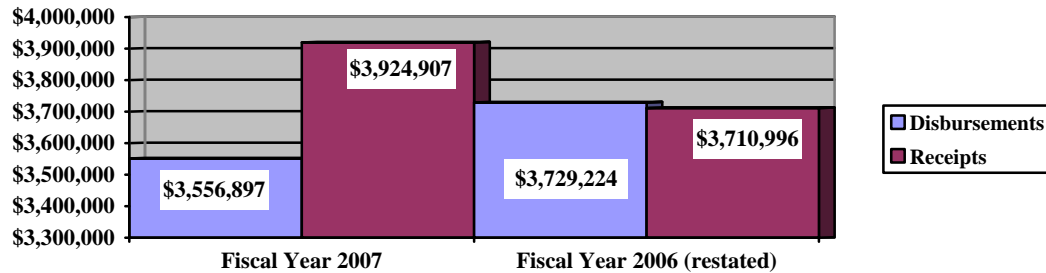
The largest disbursement of the District is for instructional programs. Instruction disbursements totaled \$2,062,445 or 57.98% of total governmental disbursements for fiscal year 2007.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The graph below presents the District's governmental activities receipts and disbursements for fiscal year 2007 and 2006.

**Governmental Activities - Total Receipts vs. Total Disbursements**



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

**Governmental Activities**

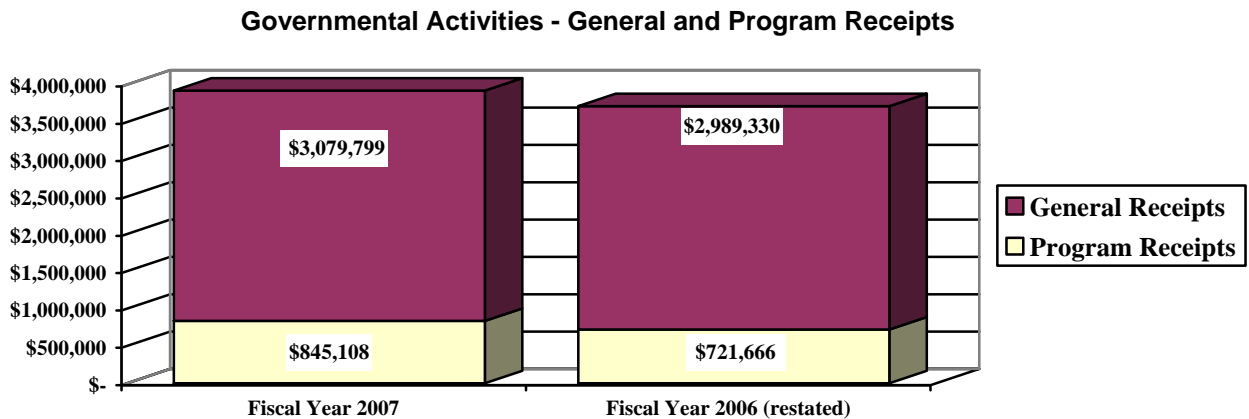
	Total Cost of Services 2007	Net Cost of Services 2007	Restated Total Cost of Services 2006	Restated Net Cost of Services 2006
<b>Disbursements:</b>				
Instruction:				
Regular	\$1,674,474	\$1,251,052	\$1,716,289	\$1,434,014
Special	371,253	182,593	398,102	193,568
Vocational	16,718	16,718	12,643	12,300
Other			15,301	15,301
Support services:				
Pupil	87,101	67,926	95,232	79,922
Instructional staff	125,155	121,767	117,275	113,273
Board of education	20,811	19,846	24,103	24,103
Administration	264,120	259,557	277,947	277,690
Fiscal	166,049	166,049	152,910	152,910
Operations and maintenance	357,705	341,020	355,887	343,647
Pupil transportation	117,981	109,701	189,524	174,547
Food service operations	123,114	3,730	122,390	828
Extracurricular activities	160,534	99,948	174,892	108,726
Facilities acquisition and construction			3,625	3,625
Debt service:				
Principal retirement	30,000	30,000	30,000	30,000
Interest and fiscal charges	41,882	41,882	43,104	43,104
<b>Total</b>	<b>\$3,556,897</b>	<b>\$2,711,789</b>	<b>\$3,729,224</b>	<b>\$3,007,558</b>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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The dependence upon general receipts for governmental activities is apparent; with 76.36% of disbursements supported through taxes and other general receipts during 2007. For all governmental activities, general receipts support is 86.71%. The District's taxpayers, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities receipts for fiscal year 2007 and 2006.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,399,356, which is \$368,010 above last year's total of \$1,031,346. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007, and June 30, 2006, for all major and nonmajor governmental funds. The amounts for 2006 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2007 financial statements.

	Fund Balance June 30, 2007	Restated Fund Balance June 30, 2006	Increase
Major Funds:			
General	\$665,687	\$435,115	\$230,572
Debt Service	161,960	124,317	37,643
Permanent Improvement	302,891	238,769	64,122
Other Nonmajor Governmental Funds	268,818	233,145	35,673
<b>Total</b>	<b>\$1,399,356</b>	<b>\$1,031,346</b>	<b>\$368,010</b>

**General Fund**

The general fund, the District's largest major fund, had total receipts and other financing sources of \$3,379,639 in 2007. The disbursements and other financing uses of the general fund, totaled \$3,149,067 in 2007. The general fund's balance increased \$230,572 or 52.99% from 2006 to 2007.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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(Continued)

The table that follows assists in illustrating the receipts of the general fund. The amounts for 2006 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2007 financial statements.

	<u>2007 Amount</u>	<u>Restated 2006 Amount</u>	<u>Percentage Change</u>
<b><u>Receipts:</u></b>			
Taxes	\$950,838	\$895,231	6.21 %
Tuition	335,350	205,190	63.43 %
Earnings on investments	45,274	28,220	60.43 %
Other local revenues	40,346	40,741	(0.97) %
Intergovernmental - state	<u>2,001,285</u>	<u>1,997,955</u>	0.17 %
Total	<u><u>\$3,373,093</u></u>	<u><u>\$3,167,337</u></u>	6.50 %

Investment income receipts increased due to higher interest earning investments. Tuition receipts increased \$130,160 or 63.43% due to the number of out of district students. All other revenue remained comparable to 2006.

The table that follows assists in illustrating the disbursements of the general fund. The amounts for 2006 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2007 financial statements.

	<u>2007 Amount</u>	<u>Restated 2006 Amount</u>	<u>Percentage Change</u>
<b><u>Disbursements</u></b>			
Instruction	\$1,840,403	\$1,947,811	(5.51) %
Support services	1,089,012	1,109,144	(1.82) %
Extracurricular	<u>97,987</u>	<u>98,244</u>	(0.26) %
Total	<u><u>\$3,027,402</u></u>	<u><u>\$3,155,199</u></u>	(4.05) %

Disbursements remained comparable to 2006. Overall, disbursements decreased \$127,797 from 2006.

**Debt Service Fund**

The debt service fund, a District major fund, had receipts of \$111,182 in 2007. The debt service fund had disbursements of \$73,539 in 2007. The debt service fund balance increased \$37,643 or 30.28% from 2006 to 2007.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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**Permanent Improvement Fund**

The permanent improvement fund, a District major fund, had total receipts and other financing sources of \$79,370 in 2007. The permanent improvement fund had total disbursements of \$15,248 in 2007. The permanent improvement fund cash balance increased \$64,122 or 26.86% from 2006 to 2007.

**General Fund Budgeting Highlights**

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

For the general fund, final budgeted receipts and other financing sources were equal to original budgeted receipts and other financing sources of \$3,170,700. Actual receipts and other financing sources of \$3,379,639 were higher than final budgeted receipts and other financing sources by \$208,939. The final budgeted disbursements and other financing uses of \$3,213,036 were \$20,001 higher than original budgeted disbursements and other financing uses. The actual disbursements and other financing uses of \$3,158,017 were \$55,019 less than the final budgeted disbursements and other financing uses.

**Capital Assets and Debt Administration**

**Capital Assets**

The District does not record capital assets in the accompanying cash basis financial statements, but records payments for capital assets as disbursements, however the District does track its capital assets through an excel spreadsheet.

**Debt Administration**

The District had the following long-term obligations outstanding at June 30, 2007 and 2006:

	<u>Governmental Activities</u> <u>2007</u>	<u>Governmental Activities</u> <u>2006</u>
General obligation bonds	<u>\$815,000</u>	<u>\$845,000</u>
Total long-term obligations	<u><u>\$815,000</u></u>	<u><u>\$845,000</u></u>

For further information regarding the District's debt, refer to Note 10 to the financial statements.

**Current Financial Related Activities**

The District has carefully managed its general fund in order to optimize the dollars available for educating its students.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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On May 2, 2006, the voters of our District passed a .75% additional 5 year income tax. The tax became effective January 1, 2007. This new tax is estimated to raise \$278,000 annually when fully collected in fiscal year 2009. This support from our local community is imperative because of stagnant state funding.

Formula ADM decreased from 441 in fiscal year 2003 to 358 in fiscal year 2007. This decrease in resident enrollment has caused the District to be funded under state funding guarantees since fiscal year 2004. In fiscal year 2007, we received \$263,619 in guarantee funding, the equivalent of nearly 49 students. This reliance on guarantee funding causes our state funding to be flat.

Open enrollment continues to prove important for our District. In fiscal year 2007, the District had a net positive open enrollment of 36 students, bringing in \$170,395 in funding.

House Bill 66 (Ohio 2006-07 budget) eliminated tangible personal property tax over five years. Through the phase out period, we will be "held harmless" by way of fixed rate reimbursement payments from the state. HB 66 created a commercial activity tax (CAT). The proceeds from CAT will fund hold harmless payments and the established funding formula.

The District has worked hard to maintain costs but is faced with ever increasing mandates from the federal and state levels. Over the past few years, reduction in staffing and other cost containment measures have been taken, resulting in an overall reduction in expenditures.

Our District continues to strive to best utilize the resources available to us. It is imperative that the District's Board and management team continue to carefully and prudently plan in order to provide the resource required to meet the student's desired needs over the next several years. It is always our goal to provide "a quality education in a small school setting".

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Jane A. Schalk, Treasurer, New Riegel Local School District, 44 N. Perry Street, New Riegel, Ohio 44853-0207.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2007

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$1,399,143
Cash with fiscal agent. . . . .	213
 Total assets. . . . .	 \$1,399,356
 <b>Net Assets:</b>	
Restricted for:	
Locally funded programs . . . . .	\$901
State funded programs . . . . .	7,545
Federally funded programs. . . . .	21,217
Student activities. . . . .	16,576
Capital projects . . . . .	303,375
Classroom facilities maintenance . . . . .	137,640
Debt service. . . . .	161,960
Other purposes. . . . .	125,106
Unrestricted. . . . .	625,036
 Total net cash assets . . . . .	 \$1,399,356

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>Cash Disbursements</b>	<b>Program Cash Receipts</b>			<b>Net (Disbursements) Revenue and Changes in Net Assets</b>
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$1,674,474	\$356,026	\$67,396		(\$1,251,052)
Special . . . . .	371,253		188,660		(182,593)
Vocational . . . . .	16,718				(16,718)
Support services:					
Pupil . . . . .	87,101	952	18,223		(67,926)
Instructional staff . . . . .	125,155		3,388		(121,767)
Board of education . . . . .	20,811	965			(19,846)
Administration . . . . .	264,120		4,563		(259,557)
Fiscal . . . . .	166,049				(166,049)
Operations and maintenance . . . . .	357,705	10,685	6,000		(341,020)
Pupil transportation . . . . .	117,981	4,812	249	\$3,219	(109,701)
Operation of non-instructional services:					
Food service operations . . . . .	123,114	97,390	21,994		(3,730)
Extracurricular activities . . . . .	160,534	60,586			(99,948)
Debt service:					
Principal retirement . . . . .	30,000				(30,000)
Interest and fiscal charges . . . . .	41,882				(41,882)
<b>Total governmental activities . . . . .</b>	<b>\$3,556,897</b>	<b>\$531,416</b>	<b>\$310,473</b>	<b>\$3,219</b>	<b>(2,711,789)</b>

**General Receipts:**

Property taxes levied for:	
General purposes . . . . .	656,131
Special revenue . . . . .	14,461
Debt service . . . . .	99,571
School district income tax . . . . .	294,707
Grants and entitlements not restricted to specific programs . . . . .	1,957,696
Investment earnings . . . . .	45,943
Miscellaneous . . . . .	11,290
<b>Total general receipts . . . . .</b>	<b>3,079,799</b>
 Change in net assets . . . . .	 368,010
 <b>Net assets at beginning of year (restated) . . . . .</b>	 <b>1,031,346</b>
 <b>Net assets at end of year . . . . .</b>	 <b>\$1,399,356</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$625,036	\$161,960	\$302,891	\$268,605	\$1,358,492
Cash with fiscal agent . . . . .				213	213
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	40,651				40,651
<b>Total assets . . . . .</b>	<u><u>\$665,687</u></u>	<u><u>\$161,960</u></u>	<u><u>\$302,891</u></u>	<u><u>\$268,818</u></u>	<u><u>\$1,399,356</u></u>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	\$8,950		\$19,293	\$1,326	\$29,569
Reserved for school bus purchase . . . . .	5,355				5,355
Reserved for textbooks . . . . .	35,296				35,296
Unreserved, designated:					
Designation for termination benefits . . . . .				83,588	83,588
Unreserved, undesignated, reported in:					
General fund . . . . .	616,086				616,086
Special revenue funds. . . . .				183,420	183,420
Debt service fund . . . . .		\$161,960			161,960
Capital projects funds. . . . .			283,598	484	284,082
<b>Total fund balances . . . . .</b>	<u><u>\$665,687</u></u>	<u><u>\$161,960</u></u>	<u><u>\$302,891</u></u>	<u><u>\$268,818</u></u>	<u><u>\$1,399,356</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
From local sources:					
Taxes . . . . .	\$950,838	\$99,571		\$14,461	\$1,064,870
Tuition. . . . .	335,350				335,350
Charges for services. . . . .				97,390	97,390
Earnings on investments. . . . .	45,274			5,000	50,274
Extracurricular. . . . .	2,900			64,398	67,298
Classroom materials and fees . . . . .	19,999				19,999
Other local revenues. . . . .	17,447		\$4,370	852	22,669
Intergovernmental - intermediate . . . . .				12,865	12,865
Intergovernmental - state. . . . .	2,001,285	11,611		32,562	2,045,458
Intergovernmental - federal . . . . .				208,734	208,734
Total receipts . . . . .	<u>3,373,093</u>	<u>111,182</u>	<u>4,370</u>	<u>436,262</u>	<u>3,924,907</u>
<b>Disbursements:</b>					
Current:					
Instruction:					
Regular . . . . .	1,575,011		2,994	96,469	1,674,474
Special. . . . .	248,674			122,579	371,253
Vocational. . . . .	16,718				16,718
Support services:					
Pupil. . . . .	68,495			18,606	87,101
Instructional staff . . . . .	121,049			4,106	125,155
Board of education . . . . .	20,811				20,811
Administration. . . . .	262,757		1,119	244	264,120
Fiscal . . . . .	164,171	1,657		221	166,049
Operations and maintenance. . . . .	340,270		11,135	6,300	357,705
Pupil transportation . . . . .	111,459			6,522	117,981
Operation of non-instructional services:					
Food service operations . . . . .				123,114	123,114
Extracurricular activities. . . . .	97,987			62,547	160,534
Debt service:					
Principal retirement . . . . .		30,000			30,000
Interest and fiscal charges . . . . .		41,882			41,882
Total disbursements . . . . .	<u>3,027,402</u>	<u>73,539</u>	<u>15,248</u>	<u>440,708</u>	<u>3,556,897</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>345,691</u>	<u>37,643</u>	<u>(10,878)</u>	<u>(4,446)</u>	<u>368,010</u>
<b>Other financing sources (uses):</b>					
Transfers in. . . . .			75,000	46,844	121,844
Transfers (out) . . . . .	(121,665)			(179)	(121,844)
Advances in. . . . .	6,546				6,546
Advances (out) . . . . .				(6,546)	(6,546)
Total other financing sources (uses) . . . . .	<u>(115,119)</u>		<u>75,000</u>	<u>40,119</u>	
Net change in fund balances . . . . .	230,572	37,643	64,122	35,673	368,010
<b>Fund balances at</b>					
<b>beginning of year (restated).</b> . . . . .	<u>435,115</u>	<u>124,317</u>	<u>238,769</u>	<u>233,145</u>	<u>1,031,346</u>
<b>Fund balances at end of year.</b> . . . . .	<u>\$665,687</u>	<u>\$161,960</u>	<u>\$302,891</u>	<u>\$268,818</u>	<u>\$1,399,356</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
From local sources:				
Taxes . . . . .	\$911,500	\$911,500	\$950,838	\$39,338
Tuition. . . . .	311,217	311,217	335,350	24,133
Earnings on investments. . . . .	25,000	25,000	45,274	20,274
Extracurricular. . . . .	2,900	2,900	2,900	
Classroom materials and fees . . . . .	23,000	23,000	19,999	(3,001)
Other local revenue . . . . .	11,000	11,000	17,447	6,447
Intergovernmental - state . . . . .	1,884,483	1,884,483	2,001,285	116,802
Total receipts . . . . .	<u>3,169,100</u>	<u>3,169,100</u>	<u>3,373,093</u>	<u>203,993</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	1,618,628	1,628,971	1,576,594	52,377
Special. . . . .	232,614	234,100	248,674	(14,574)
Vocational. . . . .	9,937	10,000	16,718	(6,718)
Support services:				
Pupil. . . . .	72,114	72,575	68,495	4,080
Instructional staff . . . . .	128,077	128,895	122,626	6,269
Board of education . . . . .	23,723	23,875	20,811	3,064
Administration. . . . .	289,306	291,155	262,782	28,373
Fiscal . . . . .	166,483	167,547	164,171	3,376
Operations and maintenance. . . . .	365,520	367,856	346,035	21,821
Pupil transportation . . . . .	128,218	129,037	111,459	17,578
Extracurricular activities. . . . .	95,415	96,025	97,987	(1,962)
Total disbursements . . . . .	<u>3,130,035</u>	<u>3,150,036</u>	<u>3,036,352</u>	<u>113,684</u>
Excess of receipts over disbursements . . . . .	<u>39,065</u>	<u>19,064</u>	<u>336,741</u>	<u>317,677</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(63,000)	(63,000)	(121,665)	(58,665)
Advances in. . . . .	1,600	1,600	6,546	4,946
Total other financing sources (uses) . . . . .	<u>(61,400)</u>	<u>(61,400)</u>	<u>(115,119)</u>	<u>(53,719)</u>
Net change in fund balance . . . . .	(22,335)	(42,336)	221,622	263,958
<b>Fund balance at beginning of year. . .</b>	425,216	425,216	425,216	
<b>Prior year encumbrances appropriated . .</b>	<u>9,899</u>	<u>9,899</u>	<u>9,899</u>	
<b>Fund balance at end of year . . . . .</b>	<u>\$412,780</u>	<u>\$392,779</u>	<u>\$656,737</u>	<u>\$263,958</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$1,779	\$32,709
 <b>Net Assets:</b>		
Held in trust for scholarships . . . . .	\$1,779	
Held for student activities . . . . .		\$32,147
Held for employee benefits . . . . .	562	562
 Total net assets . . . . .	 \$1,779	 \$32,709

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$47
Gifts and contributions . . . . .	2,647
	2,694
Total additions . . . . .	2,694
<b>Deductions:</b>	
Scholarships awarded . . . . .	4,000
	(1,306)
Change in net assets . . . . .	(1,306)
<b>Net assets at beginning of year . . . . .</b>	<b>3,085</b>
<b>Net assets at end of year . . . . .</b>	<b>\$1,779</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 1 – REPORTING ENTITY**

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

The District was established in 1841 through the consolidation of existing land areas and school districts. The District serves an area of approximately 30 square miles. It is located in Seneca County and includes the entire Village of New Riegel. The District is the 605 largest in the State of Ohio (among 615 school districts) in terms of enrollment. It is staffed by 22 classified employees, 35 certified teaching personnel, and 3 administrative employees who provide services to 431 students in grades K through 12 and other community members. The District currently operates one elementary, one middle school, and one comprehensive high school.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

**A. Primary Government**

The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The District has no component units.

**C. Other Organizations**

The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 1 – REPORTING ENTITY – (Continued)**

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 Centers

The Vanguard-Sentinel Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Career Center at 1306 Cedar Street, Fremont, Ohio 43420.

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 THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 1 – REPORTING ENTITY – (Continued)**

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. The District paid \$27,323 during fiscal year 2007 for natural gas. Financial information is available from the Erie Ottawa Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

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, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to Section 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 11.B 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 program for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) 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 11.C for further information on this group rating program.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

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

As discussed further in Note 2.A, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

**A. Basis of Accounting**

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and loans payable.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

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

Permanent Improvement Fund - The permanent improvement capital projects fund is used to account for the accumulation of resources used for facility improvements other than those accounted for in other funds.

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

FIDUCIARY FUNDS

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

**C. Basis of Presentation**

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Government-Wide Statement of Activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level. Any budgetary modifications at this level may only be made by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the year with the restrictions that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all 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 basic financial statements.

During fiscal year 2007, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the STAR Ohio during fiscal 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2007.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the fund from which the investment was made. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$45,274, which includes \$23,135 assigned from other funds.

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

An analysis of the District's investment account at year-end is provided in Note 6.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for textbooks and school bus purchases.

**G. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**I. Accumulated Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

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

**L. Fund Balance Reserves**

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits represents monies set aside by the Board for future payment of termination benefits. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, school bus purchases, and textbooks.

**M. Net Assets**

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

**N. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursement to the funds that initially paid for them are not presented on the basic financial statements.

Interfund activity between governmental funds is eliminated in the Statement of Activities.

**NOTE 3 – COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$8,950 in the General Fund.

**NOTE 5 - CHANGE IN BASIS OF ACCOUNTING**

During 2007, the District changed from reporting on a GAAP basis to the cash basis of accounting (see Note 2.B). The District has also elected to present the cash basis financial statements in a GASB 34 like format. The fund balances for June 30, 2006, have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals.

For reporting in accordance with GASB 34-like statements, the District is required to present government-wide financial statements. These statements consolidate all governmental activities in a single column.

The transition from the accrual basis of accounting to the cash basis of accounting had the following effect on fund balances at June 30, 2006:

	General	Debt Service	Permanent Improvement	Nonmajor Governmental	Total
Fund Balance at June 30, 2006	\$271,404	\$129,234	\$238,769	\$197,527	\$836,934
Change in Reporting Basis Adjustments	163,711	(4,917)		35,618	194,412
Restated Fund Balance at June 30, 2006	<u>\$435,115</u>	<u>\$124,317</u>	<u>\$238,769</u>	<u>\$233,145</u>	<u>\$1,031,346</u>
Governmental Activities Net Assets at June 30, 2006					<u>\$1,031,346</u>

The governmental activities net assets at June 30, 2006, equal the restated fund balances at June 30, 2006.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of items described in 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in such securities are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)**

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

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

**A. Cash with Fiscal Agent**

The District had \$213 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 is not included in the cash balances below.

**B. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$895,848. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$837,902 of the District's bank balance of \$939,902 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

**C. Investments**

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Cost</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$537,783</u>	<u>\$537,783</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)**

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

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Cost</u>	<u>% to Total</u>
STAR Ohio	<u>\$537,783</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Assets as of June 30, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$895,848
Investments	537,783
Cash with fiscal agent	<u>213</u>
Total	<u><u>\$1,433,844</u></u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$1,399,356
Private-purpose trust funds	1,779
Agency funds	<u>32,709</u>
Total	<u><u>\$1,433,844</u></u>

**NOTE 7 - INTERFUND TRANSACTIONS**

- A.** Advances for the year ended June 30, 2007, as reported on the fund statements, consist of the following:

	<u>Amount</u>
Advance to general fund from: Nonmajor governmental fund	\$6,546

This advance was made in the current year to repay a prior year advance.

Advances between governmental funds are eliminated on the Statement of Activities.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 7 - INTERFUND TRANSACTIONS – (Continued)**

- B. Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers to permanent improvement fund from:	
General fund	\$75,000
Transfers to nonmajor governmental funds from:	
General fund	46,665
Nonmajor governmental funds	179

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

Interfund transfers between governmental funds are eliminated on the Government-Wide financial statements; therefore, no transfers are reported in the Statement of Activities.

**NOTE 8 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 8 - PROPERTY TAXES – (Continued)**

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2007, tangible personal property is assessed at 12.5 percent for property including inventory. This percentage will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$29,842,590	92.21	\$30,545,800	93.07
Public utility personal	1,509,420	4.66	1,498,800	4.56
Tangible personal property	<u>1,013,962</u>	<u>3.13</u>	<u>777,358</u>	<u>2.37</u>
Total	<u>\$32,365,972</u>	<u>100.00</u>	<u>\$32,821,958</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$43.92		\$42.10	

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 9 - SCHOOL DISTRICT INCOME TAX**

The District levies a voted tax of three-quarters of one 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. An additional tax of three-quarters of one percent (0.75%) was passed by the voters on May 2, 2006. This additional tax is for five years beginning January 1, 2007, for the purpose of current expenses. 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. Total income tax revenue for fiscal year 2007 equaled \$294,707.

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. In fiscal year 2001, 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. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 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 made quarterly disbursements to the District as the project was completed. The project was completed during fiscal year 2004.

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 nonmajor other governmental funds.

The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

Year Ending <u>June 30</u>	G.O. Bonds		
	Principal	Interest	Total
2008	\$30,000	\$40,645	\$70,645
2009	35,000	39,287	74,287
2010	35,000	37,809	72,809
2011	35,000	36,312	71,312
2012	40,000	34,690	74,690
2013 - 2017	220,000	143,720	363,720
2018 - 2022	285,000	76,815	361,815
2023 - 2024	135,000	7,425	142,425
Total	\$815,000	\$416,703	\$1,231,703

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)**

B. During the fiscal year 2007, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2007</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds payable	\$845,000	<u>          </u>	(\$30,000)	\$815,000	\$30,000
Total long-term obligations, governmental activities	<u>\$845,000</u>	<u>          </u>	<u>(\$30,000)</u>	<u>\$815,000</u>	<u>\$30,000</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed nine percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed one tenth of one percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed nine tenths of one percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$2,046,916 and an unvoted debt margin of \$31,799.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

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

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:	Indiana Insurance Co.		
Each occurrence		\$1,000,000	
Aggregate		2,000,000	
Building and contents	Indiana Insurance Co.	13,516,444	\$1,000
Auto Liability:	Indiana Insurance Co.		
Comprehensive		1,000,000	
Collision		1,000,000	1,000
Employee Stop Gap Liability:	Indiana Insurance Co.		
Each Occurrence		1,000,000	
Aggregate		2,000,000	

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the District has not materially reduced its coverage in the past year.

**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 eight 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 \$250,000 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 1.C.). 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.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 11 - RISK MANAGEMENT – (Continued)**

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.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005, were \$41,922, \$42,600, and \$45,422; 48.60 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**B. State Teachers Retirement System of Ohio**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 12 - PENSION PLANS – (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligation was also 13 percent. Contribution rates are established by the State Teachers Retirement Board of Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$196,115, \$202,640 and \$201,291; 84.10 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$15,086 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million and STRS Ohio had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the 2007 fiscal year, the District paid \$19,110 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2007, were \$127.616 million. At June 30, 2007, SERS had net assets available for payment of health care benefits of \$386.355 million. SERS had 55,818 participants currently receiving health care benefits.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 15 - STATUTORY RESERVES**

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

The following cash basis information describes the change in the fund balance reserves for textbooks and capital improvements during the fiscal year 2007.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Current year set-aside requirement	\$60,404	\$60,404
Current year offsets		(75,000)
Qualifying disbursements	(25,108)	(7,476)
	<u>\$35,296</u>	<u>(\$22,072)</u>
Cash balance carried forward to FY 2008	<u>\$35,296</u>	<u>                    </u>

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.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 15 - STATUTORY RESERVES – (Continued)**

A schedule of the governmental fund restricted assets at June 30, 2007, follows:

Amount restricted for school bus purchase	\$5,355
Amount restricted for textbooks	<u>35,296</u>
Total restricted assets	<u><u>\$40,651</u></u>

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# Mary Taylor, CPA

Auditor of State

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

New Riegel Local School District  
Seneca County  
44 North Perry Street  
New Riegel, Ohio 44853-0207

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Riegel Local School District, Seneca County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 9, 2009, wherein, we noted the District changed its financial statement presentation from accounting principles generally accepted in the United States of America to the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

January 9, 2009



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2007**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

**Officials' Response**

Officials for the District believe that since the District operates on a cash basis throughout the year, the other comprehensive basis of accounting statements included in this report provide the reader with an accurate depiction of the District's financial activity for the audit period and fairly represent the District's cash basis financial position as of June 30, 2007.





**Mary Taylor, CPA**  
Auditor of State

**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**  
**JANUARY 27, 2009**