

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2006

With

Independent Auditors' Report

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Mary Taylor, CPA  
Auditor of State

Board of Trustees  
New Richmond Exempted Village School District  
212 Market Street  
New Richmond, Ohio 45157

We have reviewed the *Independent Auditor's Report* of the New Richmond Exempted Village School District, Clermont County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The New Richmond Exempted Village School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

January 9, 2007

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# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
New Richmond Exempted Village School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the New Richmond Exempted Village School District (the School District) as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2006 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 10 and 43 through 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Haskett & Co.*

Cincinnati, Ohio  
October 10, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the New Richmond Exempted Village School District for the year ended June 30, 2006. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

### Financial Highlights

Major financial highlights for fiscal year 2006 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$29.3 million. Of this amount, \$11.4 million may be used to meet the government's ongoing obligations to citizens and creditors.
- ✓ In total, net assets increased by approximately \$1,493,000.
- ✓ The School District had \$25.6 million in expenses related to governmental activities; only \$2.3 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$24.8 million, made up primarily of property taxes and State Foundation payments, was used to provide for these programs.
- ✓ The General Fund balance increased by approximately \$1.7 from June 30, 2005 to June 30, 2006.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

## NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

### Management's Discussion and Analysis

Year Ended June 30, 2006

Unaudited

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The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The business-type activities of the School District include food services, preschool and other enterprise operations.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. In addition, the School District may also establish funds to show that it is meeting legal requirements for using grants or other money.

**Proprietary funds.** The School District utilizes enterprise funds, which report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same information as the government-wide financial statements, only in more detail.

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**Unaudited**

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**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information for the budget of the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**A. Net assets at year-end**

The following table presents a condensed summary of the School District's overall financial position at June 30, 2006:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>
Current and other assets	\$ 27,287,928	26,730,474	284,385	368,598	27,572,313	27,099,072
Capital assets	<u>17,927,197</u>	<u>18,381,327</u>	<u>195,268</u>	<u>218,802</u>	<u>18,122,465</u>	<u>18,600,129</u>
Total assets	<u>45,215,125</u>	<u>45,111,801</u>	<u>479,653</u>	<u>587,400</u>	<u>45,694,778</u>	<u>45,699,201</u>
Long-term debt outstanding	3,407,513	3,794,009	33,526	72,921	3,441,039	3,866,930
Other liabilities	<u>12,862,328</u>	<u>13,889,406</u>	<u>48,950</u>	<u>93,541</u>	<u>12,911,278</u>	<u>13,982,947</u>
Total liabilities	<u>16,269,841</u>	<u>17,683,415</u>	<u>82,476</u>	<u>166,462</u>	<u>16,352,317</u>	<u>17,849,877</u>
Net assets:						
Invested in capital assets	17,062,197	17,168,550	195,268	218,802	17,257,465	17,387,352
Restricted:						
Other purposes	635,861	467,640	-	-	635,861	467,640
Unrestricted	<u>11,247,226</u>	<u>9,792,196</u>	<u>201,909</u>	<u>202,136</u>	<u>11,449,135</u>	<u>9,994,332</u>
Total net assets	\$ <u>28,945,284</u>	<u>27,428,386</u>	<u>397,177</u>	<u>420,938</u>	<u>29,342,461</u>	<u>27,849,324</u>

There was relatively little change from June 30, 2005 to June 30, 2006. Total assets decreased approximately \$4,000. Capital assets decreased from \$18.6 million to \$18.1 million due to current depreciation exceeding purchases of capital assets. Total liabilities decreased about \$1.5 million primarily due to accounts payable and accrued wages. Accounts payable decreased by about \$324,000 due to construction bill due in the prior fiscal year. Accrued wages decreased by about \$391,000 due to timing of payroll periods. During fiscal year 2006 the School District had 27 payroll dates as compared to the normal 26 payroll periods.

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**B. Governmental and Business-type Activities**

The following table presents a condensed summary of the School District's activities for the years ended June 30, 2006 and 2005:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services and sales	\$ 784,156	817,988	475,826	475,653	1,259,982	1,293,641
Operating grants and contributions	1,511,578	1,644,952	488,144	461,162	1,999,722	2,106,114
Capital grants and contributions	<u>11,063</u>	<u>45,123</u>	<u>-</u>	<u>-</u>	<u>11,063</u>	<u>45,123</u>
Total program revenues	<u>2,306,797</u>	<u>2,508,063</u>	<u>963,970</u>	<u>936,815</u>	<u>3,270,767</u>	<u>3,444,878</u>
General revenues:						
Property taxes	11,157,305	10,624,862	-	-	11,157,305	10,624,862
Grants and entitlements	12,898,936	12,876,154	-	-	12,898,936	12,876,154
Investment earnings	608,185	369,911	-	-	608,185	369,911
Miscellaneous	<u>111,427</u>	<u>132,782</u>	<u>-</u>	<u>-</u>	<u>111,427</u>	<u>132,782</u>
Total general revenues	<u>24,775,853</u>	<u>24,003,709</u>	<u>-</u>	<u>-</u>	<u>24,775,853</u>	<u>24,003,709</u>
<b>Total revenues</b>	<u>27,082,650</u>	<u>26,511,772</u>	<u>963,970</u>	<u>936,815</u>	<u>28,046,620</u>	<u>27,448,587</u>
<b>Expenses:</b>						
Instruction	14,724,192	14,588,509	-	-	14,724,192	14,588,509
Support services:						
Pupil	1,170,715	1,165,822	-	-	1,170,715	1,165,822
Instructional staff	1,197,979	1,413,926	-	-	1,197,979	1,413,926
Board of Education	153,934	118,900	-	-	153,934	118,900
Administration	1,739,104	1,756,046	-	-	1,739,104	1,756,046
Fiscal	749,287	727,427	-	-	749,287	727,427
Business	-	3,503	-	-	-	3,503
Operation and maintenance of plant	3,024,169	2,948,966	-	-	3,024,169	2,948,966
Pupil transportation	1,942,469	1,951,194	-	-	1,942,469	1,951,194
Central	273,754	278,231	-	-	273,754	278,231
Non-instructional services	554,178	732,877	-	-	554,178	732,877
Interest and fiscal charges	35,971	41,733	-	-	35,971	41,733
Food services	-	-	945,287	859,172	945,287	859,172
Preschool	-	-	13,090	94,019	13,090	94,019
Other enterprise	<u>-</u>	<u>-</u>	<u>29,354</u>	<u>21,702</u>	<u>29,354</u>	<u>21,702</u>
<b>Total expenses</b>	<u>25,565,752</u>	<u>25,727,134</u>	<u>987,731</u>	<u>974,893</u>	<u>26,553,483</u>	<u>26,702,027</u>
<b>Change in net assets</b>	\$ <u>1,516,898</u>	<u>784,638</u>	<u>(23,761)</u>	<u>(38,078)</u>	<u>1,493,137</u>	<u>746,560</u>

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**  
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Of the total governmental activities revenues of \$27,082,650, \$2,306,797 (9%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 45% (\$11,157,305) comes from property tax levies and 52% (\$12,898,936) is from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program. For fiscal year 2006, revenues only increased about \$550,000 in total due to increases in local tax revenues, increases in revenues from open enrollment students, and improved interest revenues yielding an additional \$238,000.

Also, expenses increased by less than .5%. The Board of Education directed administration to recognize the current issues, objectives, and challenges the School District is faced with. Hence, effective leadership, accountability and responsibility have enabled the School District to get control of expenditures. Administration is evaluating personnel and operating expenditures to reduce costs that will not affect academic issues. The School District has determined cost per pupil is in excess of that of comparable districts. Thus, all expenditures are being reviewed in order to reduce expenditures while not impacting education and the goals of the School District.

***Governmental Activities***

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 9% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$14,724,192 but program revenue contributed to fund 11% of those costs. Thus, general revenues of \$13,162,721 were used to support of remainder of the instruction costs.

The School District's governmental activities net assets increased by \$1,516,898 due primarily to flat operating expenditures and increases in revenues from interest revenue and open enrollment.

**Governmental Activities**

		<b><u>Total Cost of Services</u></b>	<b><u>Program Revenue</u></b>	<b>Revenues as a % of <u>Total Costs</u></b>	<b><u>Net Cost of Services</u></b>
Instruction	\$	14,724,192	1,561,471	11%	13,162,721
Support services		10,251,411	564,460	6%	9,686,951
Non-instructional services		554,178	180,866	33%	373,312
Interest and fiscal charges		<u>35,971</u>	<u>-</u>	0%	<u>35,971</u>
<b>Total</b>	<b>\$</b>	<b><u>25,565,752</u></b>	<b><u>2,306,797</u></b>	<b><u>9%</u></b>	<b><u>23,258,955</u></b>

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***Business-type Activities***

Net assets of the business-type activities decreased by \$23,761 primarily due to normal operations.

The following table presents the total cost of each of the School District's business segments and the net cost after deducting the revenues generated by each segment. Charges and operating grants paid for 98% of the costs of Food Services.

<b>Business-type Activities</b>					
		<b><u>Total Cost of Services</u></b>	<b><u>Program Revenue</u></b>	<b><u>Revenues as a % of Total Costs</u></b>	<b><u>Net Cost (Revenue) of Services</u></b>
Food services	\$	945,287	929,270	98%	16,017
Preschool		13,090	6,900	53%	6,190
Other enterprise		<u>29,354</u>	<u>27,800</u>	95%	<u>1,554</u>
<b>Total</b>	<b>\$</b>	<b><u>987,731</u></b>	<b><u>963,970</u></b>	<b><u>98%</u></b>	<b><u>23,761</u></b>

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS**

**Governmental funds**

The School District has two major governmental funds – the General Fund and Permanent Improvement Fund. The assets of these funds comprise \$26,218,226 (96%) of the total \$27,287,928 governmental funds assets.

**General Fund.** Fund balance at June 30, 2006 was \$11,413,320, including \$10,149,723 of unreserved balance, which represents 44% of expenditures for fiscal year 2006. The General Fund experienced an increase of \$1,742,728 in fund balance due to increased revenue and reductions in expenditures.

**Permanent Improvement Fund.** Fund balance at June 30, 2006 was \$1,749,980. The School District plans to use dollars to renovate the high school, including new walls, windows, and insulation.

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**  
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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information. The significant differences between the original and final budget were as follows: The School District's revenues were relatively stable for FY 2006, with increases from budget resulting from increased interest earning and tax revenues. Expenditures decreased significantly from the original budget due to decreased staffing, in the areas of regular, special education, and other instruction. Additionally, expenditures for the operation and maintenance of plant were not as budgeted as the School District is closely reviewing all cost necessary to operate the facility.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** At June 30, 2006, the School District had \$18,122,465 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. The total decrease in the School District's investment in capital assets for the current fiscal year was approximately 3% due to current year depreciation expense in excess of current year additions. See Note 4 to the financial statements for more detail.

**Capital Assets at Year-End  
(Net of Depreciation)**

		<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
		<u>FY06</u>	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>
Land	\$	430,370	430,370	-	-	430,370	430,370
Land improvements		1,548,417	1,575,054	-	-	1,548,417	1,575,054
Buildings and improvements		15,231,674	15,577,349	-	-	15,231,674	15,577,349
Furniture and equipment		150,641	614,040	195,268	218,802	345,909	832,842
Vehicles		<u>566,095</u>	<u>184,514</u>	<u>-</u>	<u>-</u>	<u>566,095</u>	<u>184,514</u>
Total	\$	<u>17,927,197</u>	<u>18,381,327</u>	<u>195,268</u>	<u>218,802</u>	<u>18,122,465</u>	<u>18,600,129</u>

Major capital asset events during the current fiscal year included the purchase of two school buses, copiers, other replacement equipment and roofing projects.

**Debt**

The total general obligation bonds outstanding at year-end were \$865,000 with \$205,000 due within one year. The School District's school improvement general obligation bonds mature September 1, 2009. See Note 9 to the financial statements.

## **ECONOMIC FACTORS**

A challenge facing the School District is state funding. School funding continues to be a complex and unstable issue for Ohio school districts. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding system is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Two bills enacted by the 123rd General Assembly reduced the assessment rate of tangible personal property of electric utilities and gas utilities. The assessment rate for the companies that own and operate Zimmer and Beckjord power stations (Duke Power, Dayton Power and Light, and Columbus Southern) was reduced for all personal property, except transmission and distribution, from 100% and 88% of true value to 25%. All natural gas personal property assessment rates have gone from 88 % to 25%.

Beginning with Tax Year 2001, (payments collectable in calendar year 2002), the School District experienced a significant reduction in the valuation of Personal Property Public Utility. The School District's valuation decreased \$233.2 million from \$393.8 million in Tax Year 2000 to \$160.6 million. Pursuant to Senate Bill #3, to replace the taxes previously received, the State has levied a kilowatt-hour tax. The Ohio Department of Taxation certified an approximate \$8 million payment in tax year 2003, 2004, and 2005 payable to the School District to replace the taxes we had once received from the power companies. However, this payment will decrease in future years based upon increases in the Ohio Department of Education State Foundation program and House Bill 66. Hence, we project that combined public utility tax revenue and Ohio Department of Education State Foundation will be flat until 2017 at best. The School District is challenged to cut operating expenditures, increase revenues while enrollment is projected to increase given the level of projected new construction by various builders.

## **REQUESTS FOR ADDITIONAL INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the New Richmond Exempted Village School District, 212 Market Street, New Richmond, Ohio 45157.

## NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

### Statement of Net Assets

June 30, 2006

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>Assets:</b>			
Equity in pooled cash and investments	\$ 15,527,765	259,029	15,786,794
Receivables:			
Taxes	11,564,862	-	11,564,862
Accounts	58,240	59	58,299
Intergovernmental	82,722	-	82,722
Interest	54,339	-	54,339
Supplies inventory	-	25,297	25,297
Nondepreciable capital assets	430,370	-	430,370
Depreciable capital assets, net	<u>17,496,827</u>	<u>195,268</u>	<u>17,692,095</u>
<b>Total assets</b>	<u>45,215,125</u>	<u>479,653</u>	<u>45,694,778</u>
<b>Liabilities:</b>			
Accounts payable	125,682	-	125,682
Accrued wages	1,943,023	38,874	1,981,897
Intergovernmental payable	425,973	10,076	436,049
Unearned revenue	10,360,440	-	10,360,440
Accrued interest payable	7,210	-	7,210
Noncurrent liabilities:			
Due within one year	387,273	-	387,273
Due within more than one year	<u>3,020,240</u>	<u>33,526</u>	<u>3,053,766</u>
<b>Total liabilities</b>	<u>16,269,841</u>	<u>82,476</u>	<u>16,352,317</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	17,062,197	195,268	17,257,465
Restricted for:			
Other purposes	635,861	-	635,861
Unrestricted	<u>11,247,226</u>	<u>201,909</u>	<u>11,449,135</u>
<b>Total net assets</b>	<u>\$ 28,945,284</u>	<u>397,177</u>	<u>29,342,461</u>

See accompanying notes to the basic financial statements.

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

Statement of Activities  
Year Ended June 30, 2006

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 12,187,810	605,159	766,564	-
Special education	2,455,214	-	138,268	-
Adult/continuing	81,168	-	51,480	-
Support services:				
Pupil	1,170,715	-	281,533	-
Instructional staff	1,197,979	-	116,682	-
Board of Education	153,934	-	-	-
Administration	1,739,104	-	142,938	-
Fiscal	749,287	-	-	-
Operation and maintenance of plant	3,024,169	-	-	-
Pupil transportation	1,942,469	-	-	11,063
Central	273,754	-	12,244	-
Non-instructional services:				
Extracurricular activities	549,786	178,997	-	-
Community service	4,392	-	1,869	-
Interest and fiscal charges	35,971	-	-	-
Total Governmental Activities	<u>25,565,752</u>	<u>784,156</u>	<u>1,511,578</u>	<u>11,063</u>
<b>Business-Type Activities:</b>				
Food Service	945,287	441,126	488,144	-
Uniform School Supplies	22,026	20,472	-	-
Preschool	13,090	6,900	-	-
Latchkey	7,328	7,328	-	-
Total Business-Type Activities	<u>987,731</u>	<u>475,826</u>	<u>488,144</u>	<u>-</u>
	\$ <u>26,553,483</u>	<u>1,259,982</u>	<u>1,999,722</u>	<u>11,063</u>

**General Revenues:**

Property taxes, levied for general purposes  
Property taxes, levied for debt services  
Grants and entitlements not restricted to specific programs  
Investment earnings  
Miscellaneous  
Total general revenues  
  
Change in net assets  
Net assets beginning of year  
Net assets end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
\$	(10,816,087)	-	(10,816,087)
	(2,316,946)	-	(2,316,946)
	(29,688)	-	(29,688)
	(889,182)	-	(889,182)
	(1,081,297)	-	(1,081,297)
	(153,934)	-	(153,934)
	(1,596,166)	-	(1,596,166)
	(749,287)	-	(749,287)
	(3,024,169)	-	(3,024,169)
	(1,931,406)	-	(1,931,406)
	(261,510)	-	(261,510)
	(370,789)	-	(370,789)
	(2,523)	-	(2,523)
	(35,971)	-	(35,971)
	<u>(23,258,955)</u>	<u>-</u>	<u>(23,258,955)</u>
	-	(16,017)	(16,017)
	-	(1,554)	(1,554)
	-	(6,190)	(6,190)
	-	-	-
	<u>-</u>	<u>(23,761)</u>	<u>(23,761)</u>
	<u>(23,258,955)</u>	<u>(23,761)</u>	<u>(23,282,716)</u>
	10,917,767	-	10,917,767
	239,538	-	239,538
	12,898,936	-	12,898,936
	608,185	-	608,185
	111,427	-	111,427
	<u>24,775,853</u>	<u>-</u>	<u>24,775,853</u>
	1,516,898	(23,761)	1,493,137
	<u>27,428,386</u>	<u>420,938</u>	<u>27,849,324</u>
\$	<u><u>28,945,284</u></u>	<u><u>397,177</u></u>	<u><u>29,342,461</u></u>

## NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Balance Sheet  
 Governmental Funds  
 June 30, 2006

	General	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 13,036,317	1,767,880	723,568	15,527,765
Receivables:				
Taxes	11,301,450	-	263,412	11,564,862
Accounts	58,240	-	-	58,240
Accrued interest	54,339	-	-	54,339
Intergovernmental	-	-	82,722	82,722
<b>Total assets</b>	<b>24,450,346</b>	<b>1,767,880</b>	<b>1,069,702</b>	<b>27,287,928</b>
<b>Liabilities:</b>				
Accounts payable	103,575	17,900	4,207	125,682
Accrued wages and benefits	1,943,023	-	-	1,943,023
Intergovernmental payable	425,973	-	-	425,973
Compensated absences payable	85,923	-	-	85,923
Deferred revenue	10,478,532	-	288,796	10,767,328
<b>Total liabilities</b>	<b>13,037,026</b>	<b>17,900</b>	<b>293,003</b>	<b>13,347,929</b>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	427,897	45,742	11,631	485,270
Property taxes	835,700	-	23,200	858,900
Debt service	-	-	362,281	362,281
Unreserved, reported in:				
General Fund	10,149,723	-	-	10,149,723
Special Revenue Funds	-	-	379,587	379,587
Capital Projects Funds	-	1,704,238	-	1,704,238
<b>Total fund balances</b>	<b>11,413,320</b>	<b>1,749,980</b>	<b>776,699</b>	<b>13,939,999</b>
<b>Total liabilities and fund balances</b>	<b>\$ 24,450,346</b>	<b>1,767,880</b>	<b>1,069,702</b>	<b>27,287,928</b>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2006

**Total Governmental Fund Balances** \$ 13,939,999

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 17,927,197

Other long-term assets are not available to pay for current-period  
expenditures and therefore are not reported in the funds. 406,888

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds:

General Obligation Bonds	865,000	
Compensated Absences	2,456,590	
Accrued interest payable	<u>7,210</u>	
Total		<u>(3,328,800)</u>

Net Assets of Governmental Activities \$ 28,945,284

## NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

### Statement of Revenues, Expenditures, and Changes in Fund Balances

#### Governmental Funds

Year Ended June 30, 2006

	General	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 10,863,359	-	238,189	11,101,548
Tuition and fees	605,159	-	-	605,159
Interest	605,995	-	-	605,995
Intergovernmental	12,902,520	-	1,470,473	14,372,993
Other local revenues	77,725	-	213,322	291,047
<b>Total revenues</b>	<u>25,054,758</u>	<u>-</u>	<u>1,921,984</u>	<u>26,976,742</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	11,204,384	-	636,033	11,840,417
Special education	2,335,061	-	123,981	2,459,042
Other instruction	29,688	-	51,480	81,168
Support services:				
Pupil	920,226	-	250,489	1,170,715
Instructional staff	1,083,821	-	104,790	1,188,611
Board of Education	153,934	-	-	153,934
Administration	1,518,536	-	127,389	1,645,925
Fiscal	743,902	-	5,385	749,287
Operation and maintenance of plant	2,934,472	-	-	2,934,472
Pupil transportation	1,821,367	-	2,400	1,823,767
Central	268,223	-	5,531	273,754
Non-instructional services:				
Extracurricular activities	298,416	-	206,616	505,032
Community service	-	-	4,392	4,392
Capital outlay	-	298,116	-	298,116
Debt Service:				
Principal	-	-	195,000	195,000
Interest and fiscal charges	-	-	37,591	37,591
<b>Total expenditures</b>	<u>23,312,030</u>	<u>298,116</u>	<u>1,751,077</u>	<u>25,361,223</u>
Excess of revenues over (under) expenditures	<u>1,742,728</u>	<u>(298,116)</u>	<u>170,907</u>	<u>1,615,519</u>
Change in fund balance	1,742,728	(298,116)	170,907	1,615,519
Fund balance, beginning of year	9,670,592	2,048,096	605,792	12,324,480
Fund balance, end of year	<u>\$ 11,413,320</u>	<u>1,749,980</u>	<u>776,699</u>	<u>13,939,999</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2006

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,615,519

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	581,499
Depreciation expense	(1,035,006)

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.	195,000
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,620
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Some expenses reported in the statement of activities do not require the use current financial resources and therefore are not reported as expenditures in governmental funds.	52,358
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	106,531
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In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.	(623)
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Change in Net Assets of Governmental Activities	\$ 1,516,898
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# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

## Statement of Net Assets

### Proprietary Funds

June 30, 2006

	<u>Nonmajor Enterprise Funds</u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and investments	\$ 259,029
Receivables:	
Accounts	59
Supplies inventory	<u>25,297</u>
Total current assets	<u>284,385</u>
Noncurrent assets:	
Capital assets, net	<u>195,268</u>
<b>Total assets</b>	<u><u>479,653</u></u>
<b>Liabilities:</b>	
Current liabilities:	
Accrued wages	38,874
Intergovernmental payable	<u>10,076</u>
Total current liabilities	<u>48,950</u>
Noncurrent liabilities:	
Due in more than one year	<u>33,526</u>
Total noncurrent liabilities	<u>33,526</u>
<b>Total liabilities</b>	<u><u>82,476</u></u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	195,268
Unrestricted	<u>201,909</u>
<b>Total net assets</b>	\$ <u><u>397,177</u></u>

See accompanying notes to the basic financial statements.

# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2006

	Nonmajor Enterprise Funds
<b>Operating revenues:</b>	
Charges for services	\$ <u>475,826</u>
<b>Operating expenses:</b>	
Salaries and wages	299,168
Fringe benefits	133,147
Contractual services	71,891
Materials and supplies	449,220
Depreciation	31,007
Other expenses	<u>3,298</u>
<b>Total operating expenses</b>	<u>987,731</u>
Operating income (loss)	(511,905)
<b>Nonoperating revenues:</b>	
Operating grants	485,421
Interest income	<u>2,723</u>
<b>Total nonoperating revenues</b>	<u>488,144</u>
Net loss	(23,761)
Net assets, beginning of year	<u>420,938</u>
Net assets, end of year	\$ <u><u>397,177</u></u>

See accompanying notes to the basic financial statements.

# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

## Statement of Cash Flows

### Proprietary Funds

Year Ended June 30, 2006

	<u>Nonmajor Enterprise Funds</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 476,963
Cash payments for personal services	(476,779)
Cash payments for contract services	(110,963)
Cash payments for supplies and materials	(346,998)
Cash payments for other expenses	<u>(10,771)</u>
Net cash used by operating activities	<u>(468,548)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from operating grants	<u>402,208</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	<u>(8,100)</u>
<b>Cash flows from investing activities:</b>	
Investment income	<u>2,785</u>
Net change in cash and cash equivalents	(71,655)
Cash and cash equivalents at beginning of year	<u>330,684</u>
Cash and cash equivalents at end of year	\$ <u>259,029</u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(511,905)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	31,007
Donated commodities used	83,213
Loss on disposal of capital assets	627
Changes in assets and liabilities:	
Accounts receivable	1,137
Accounts payable	(39,522)
Supplies inventory	11,359
Accrued wages and benefits	(5,069)
Compensated absences payable	<u>(39,395)</u>
Net cash used by operating activities	\$ <u>(468,548)</u>

See accompanying notes to the basic financial statements.

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

Statement of Net Assets

Fiduciary Funds

June 30, 2006

		Private Purpose Trusts	Agency Funds
		<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Equity in pooled cash and investments	\$	<u>77,502</u>	<u>37,511</u>
Total assets		<u><u>77,502</u></u>	<u><u>37,511</u></u>
<b>LIABILITIES</b>			
Due to student groups		<u>-</u>	<u>37,511</u>
Total liabilities		<u>-</u>	<u><u>37,511</u></u>
<b>NET ASSETS</b>			
Held in trust	\$	<u><u>77,502</u></u>	

See accompanying notes to the basic financial statements.

# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Changes in Net Assets

Fiduciary Funds

Year Ended June 30, 2006

		<u>Private- Purpose Trust Funds</u>
<b>Additions:</b>		
Contributions	\$	8,765
Interest		<u>3,856</u>
Total additions		<u>12,621</u>
 <b>Deductions:</b>		
Community gifts, awards and scholarships		<u>10,029</u>
Total deductions		<u>10,029</u>
 Change in net assets		 2,592
 Net assets, beginning of year		 <u>74,910</u>
Net assets, end of year	\$	<u><u>77,502</u></u>

See accompanying notes to the basic financial statements.

# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Richmond Exempted Village School District (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent they do not conflict with or contradict GASB pronouncements. The School District has elected not to follow subsequent private-sector guidance. The more significant of the School District's accounting policies are described below.

#### A. Reporting Entity

The School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities. Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with five organizations, two of which are defined as jointly governed organizations and three as insurance purchasing pools. These organizations include Hamilton/Clermont Cooperative Association, the U.S. Grant Joint Vocational School District, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the County Risk Sharing Authority, and the Clermont County Health Trust. These organizations are presented in Notes 10 and 11.

# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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### B. Basis of Presentation

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financials activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues 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. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** Fund financial statements report detailed information about the School District. The focus of governmental and proprietary financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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

# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### C. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

**Governmental funds** focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School 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 to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Permanent Improvement Fund** - The permanent improvement fund is used to account for capital improvements.

**Proprietary funds** are used to account for the School District's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. The School District has no major proprietary funds.

**Fiduciary Funds** report on net assets and changes in net assets. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District's only private-purpose trust fund accounts for scholarship programs for students. These assets are not available for the School District's use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

### D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made.

## NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2006

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The modified accrual basis of accounting is used by the governmental funds and agency funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, proprietary funds and private-purpose trust funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

***Revenues - Exchange and Non-exchange transactions.*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

***Deferred Revenue*** Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2006 which are intended to finance fiscal year 2007 operations have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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### **E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Investments" on the financial statements. During fiscal year 2006, the District's investments were limited to US Agency securities and the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2006 at fair value.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

For purposes of the combined statement of cash flows and for presentation on the balance sheet, the enterprise fund portion of equity in pooled cash and investments is considered to be liquid because the enterprise fund portion of the pool can be accessed without prior notice or penalty.

### **F. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of purchased food and supplies held for resale and are expensed when used.

### **G. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,500 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received.

# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	50 years
Land improvements	20 years
Building improvements	20 - 30 years
Equipment and furniture other than vehicles	5-20 years
Vehicles	8 years

### H. Interfund Balances

On fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net assets.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

### I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

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**J. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

**K. Fund Balance Reserves**

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, debt service and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes.

**L. Net Assets**

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

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

**M. Estimates**

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

# **NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

## **Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

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### **2. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School 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 School District has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 pass book accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

## NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2006

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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School 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. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures"

#### Deposits

##### *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. At year-end, \$519,970 of the School District's bank balance of \$619,970 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

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Investments

The School District's investments at June 30, 2006 are as summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>
FHLB	\$ 3,430,128	0.76
FNMA	982,810	0.58
FHLMC	1,985,460	0.25
Star Ohio	50,906	n/a
US Money Market	<u>9,320,323</u>	n/a
	<u>\$ 15,769,627</u>	

*Credit Risk*

It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investments in FHLB, FNMA and FHLMC securities were rated AAA by Standard & Poor's and Aaa by Moody's. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

*Concentration of Credit Risk*

The School District's investments in FHLB, FNMA, and FHLMC securities represented 22%, 6%, and 13%, respectively, of its total investments at June 30, 2006 while 59% of the School District's investments were held in a US Money Market account.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a failure of a counter party, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment securities are registered in the name of the School District.

*Interest Rate Risk*

In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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### 3. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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. Tangible personal property taxes paid 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.

The School District receives property taxes from Clermont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2007 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2006, was \$835,700 in the General Fund and \$23,200 in the Debt Service Fund.

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

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

	<u>2005 Second Half Collections</u>		<u>2006 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 257,692,570	60.26%	286,272,400	61.90%
Public Utility	167,380,890	39.14%	174,100,970	37.65%
Tangible Personal Property	<u>2,530,832</u>	0.59%	<u>2,105,794</u>	0.46%
Total Assessed Value	\$ <u><u>427,604,292</u></u>	100.00%	<u><u>462,479,164</u></u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$33.11		\$33.11	

**4. CAPITAL ASSETS**

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

	<u>Balance 7/1/05</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/06</u>
<b>Governmental Activities</b>				
<b>Nondepreciable:</b>				
Land	\$ 430,370	-	-	430,370
<b>Depreciable:</b>				
Land improvements	2,598,066	120,789	-	2,718,855
Buildings and improvements	29,311,509	261,416	-	29,572,925
Vehicles	1,897,822	135,000	-	2,032,822
Equipment and furniture	2,087,629	64,294	(24,804)	2,127,119
Subtotal	<u>35,895,026</u>	<u>581,499</u>	<u>(24,804)</u>	<u>36,451,721</u>
Totals at historical cost	<u>36,325,396</u>	<u>581,499</u>	<u>(24,804)</u>	<u>36,882,091</u>
Less accumulated depreciation:				
Land improvements	1,023,012	147,426	-	1,170,438
Buildings and improvements	13,734,160	607,091	-	14,341,251
Equipment and furniture	1,713,308	168,873	-	1,882,181
Vehicles	1,473,589	111,616	(24,181)	1,561,024
Total accumulated depreciation	<u>17,944,069</u>	<u>1,035,006</u>	<u>(24,181)</u>	<u>18,954,894</u>
Capital assets, net	\$ <u><u>18,381,327</u></u>	<u><u>(453,507)</u></u>	<u><u>(623)</u></u>	<u><u>17,927,197</u></u>

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	583,586
Support services:		
Instructional staff		9,368
Administration		93,179
Operation and maintenance of plant		46,498
Pupil transportation		253,702
Extracurricular activities		<u>48,673</u>
 Total depreciation expense	\$	<u><u>1,035,006</u></u>

		Balance 7/1/05	Additions	Disposals	Balance 6/30/06
<b><i>Business-type Activities:</i></b>					
Furniture and equipment	\$	467,784	8,100	(3,135)	472,749
Less accumulated depreciation		<u>248,982</u>	<u>31,007</u>	<u>(2,508)</u>	<u>277,481</u>
 Capital assets, net	\$	<u><u>218,802</u></u>	<u><u>(22,907)</u></u>	<u><u>(627)</u></u>	<u><u>195,268</u></u>

Depreciation expense of \$31,007 was charged to the food services segment.

**5. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District participated in the County Risk Sharing Authority (CORSA), a risk sharing pool for liability, property, auto, and crime insurance to address these various types of risk. Settled claims have not exceeded commercial coverage in any of the past three years. There has been no significant reduction in the coverage from last year.

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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.

# **NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

## **Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

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### **6. DEFINED BENEFIT PENSION PLANS**

#### **School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the SERS, 300 East Broad St. Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, which is currently 14% of annual covered payroll. 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 School District's required contributions to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were approximately \$537,000, \$513,000, and \$512,000 respectively; 100% has been contributed for fiscal years 2006, 2005 and 2004.

#### **State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basis retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771.

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% 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.

# **NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

## **Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

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DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2006, 2005, and 2004 were approximately \$1,627,000, \$1,553,000 and \$1,569,000 respectively; 77% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. The unpaid contribution for fiscal year 2006 is recorded as a liability within the respective funds.

### **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. The School District's liability is 6.2% of wages paid.

## **7. POSTEMPLOYMENT BENEFITS**

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

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2006, the board allocated employer contributions equal to 1.00% of covered payroll to the Health Care Reserve Fund. For the School District, this amount was approximately \$116,000 during fiscal year 2006. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005, net health care costs paid by STRS were \$254.8 million and STRS had 115,395 eligible benefit recipients.

## **NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

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For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$27,400. The surcharge rate added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care for the year ended June 30, 2005 were \$178.2 million. At June 30, 2005, SERS' net assets available for payment of health care benefits was \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, was approximately \$132,000 during the 2006 fiscal year.

## **8. EMPLOYEE BENEFITS**

### **Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 260 days for teachers, 245 days for classified staff, and unlimited days for administrators. Upon retirement, payment is made for twenty-five percent of the employee's accumulated sick leave up to a maximum of 50 days for all teachers and 55 days for classified staff.

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

**9. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Principal Outstanding 7/1/05	Additions	Reductions	Principal Outstanding 6/30/06	Amounts Due in One Year
<b><i>Governmental Activities:</i></b>					
General obligation bonds:					
School Improvement	\$ 1,060,000	-	(195,000)	865,000	205,000
Compensated absences	2,734,009	162,176	(353,672)	2,542,513	182,273
<b>Total</b>	<b>\$ 3,794,009</b>	<b>162,176</b>	<b>(548,672)</b>	<b>3,407,513</b>	<b>387,273</b>
<b><i>Business-type Activities:</i></b>					
Compensated absences	\$ 72,921	3,683	(43,078)	33,526	-

*School Improvement Bonds* - On March 1, 1990, the School District issued \$3,020,000 in voted general obligation bonds for the purpose of school improvements. The bonds bear interest at 2.1% with the final payment on September 1, 2009. These bonds are being paid from property tax revenue received in the Debt Service Fund.

Principal and interest requirements to retire the school improvement bonds outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 205,000	34,520	239,520
2008	210,000	27,345	237,345
2009	220,000	19,470	239,470
2010	230,000	10,120	240,120
<b>Total</b>	<b>\$ 865,000</b>	<b>91,455</b>	<b>956,455</b>

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid. The School District's overall legal debt margin was \$40,758,125 with an unvoted debt margin of \$462,479 at June 30, 2006.

## **NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

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#### **10. JOINTLY GOVERNED ORGANIZATIONS**

##### *The Hamilton/Clermont Cooperative Association*

The School District is a participant in a consortium of school districts to operate The Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CCA consists of one representative from each of the participating members. Complete financial statements can be obtained for H/CCA at 7615 Harrison Avenue, Cincinnati 45231.

##### *U.S. Grant Joint Vocational School*

The U.S. Grant 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 district's elected board. The Board possesses its own budgeting and taxing authority. The Vocational School provides academic preparation and job training which leads to employment and/or further education upon graduation from high school. The School District has no ongoing financial interest in or responsibility for the Vocational School. To obtain financial information, write to U.S. Grant at 3046 State Route 125, Bethel, Ohio 45106.

#### **11. INSURANCE PURCHASING POOLS**

##### *The Clermont County Health Trust*

The Clermont County Health Trust (the Trust), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator, which in turns buys the insurance policies from various insurance companies. Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust for the benefit of its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from the Health Trust at P. O. Box 526, Middletown, Ohio 45042.

##### *County Risk Sharing Authority*

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool among local governments, primarily counties, in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Members agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance

# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the corporation are managed by an elected board of not more than nine trustees. Each member's control over the budgetary and financing of CORSA is limited to its voting authority and any representative it may have on the board. The School District does not have an equity interest in CORSA.

### *Ohio School Boards Association Workers' Compensation Group Rating Plan*

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 OSBA. 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.

## 12. CONTINGENCIES

### **Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

### **Litigation**

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

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**13. REQUIRED SET-ASIDES**

The School District is required by State statute to annually set aside in the general fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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 purposes in future years. The following cash basis information describes the change in the year-end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance as of June 30, 2005	\$ (2,318,621)	-
Current year set-aside requirement	359,074	359,074
Less qualifying disbursements	<u>(587,766)</u>	<u>(897,933)</u>
Total	<u>(2,547,313)</u>	<u>(538,859)</u>
Balance carried to FY2006	<u>(2,547,313)</u>	<u>-</u>

Since the School District had offsets and qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, these extra amounts may be used to reduce the set aside requirements of future years. However, the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

## NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund  
 Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Taxes	10,473,006	10,575,637	10,575,637	-
Tuition and fees	480,000	552,200	552,200	-
Interest	350,000	581,210	623,202	41,992
Intergovernmental	12,864,487	12,902,520	12,902,520	-
Other local revenues	72,773	69,480	69,480	-
<b>Total revenues</b>	<b>24,240,266</b>	<b>24,681,047</b>	<b>24,723,039</b>	<b>41,992</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	12,787,836	11,848,776	11,848,776	-
Special education	2,631,998	2,391,335	2,391,335	-
Other instruction	171,447	55,600	55,600	-
Support services:				
Pupil	972,403	950,278	950,278	-
Instructional staff	1,207,070	1,146,912	1,146,912	-
Board of Education	154,452	166,187	166,187	-
Administration	1,485,988	1,565,855	1,565,855	-
Fiscal	874,856	783,068	783,068	-
Business	3,671	11	11	-
Operation and maintenance of plant	3,650,154	3,118,077	3,118,077	-
Pupil transportation	1,880,393	1,860,370	1,860,370	-
Central	298,799	279,776	279,776	-
Non-instructional services:				
Extracurricular activities	302,902	298,406	298,406	-
<b>Total expenditures</b>	<b>26,421,969</b>	<b>24,464,651</b>	<b>24,464,651</b>	<b>-</b>
Excess of revenues over expenditures	(2,181,703)	216,396	258,388	41,992
<b>Other financing sources (uses):</b>				
Transfers in	2,669,284	2,717,284	2,717,284	-
Transfers out	(2,669,284)	(2,717,284)	(2,717,284)	-
Advances in	-	8,265	8,265	-
Advances out	(8,265)	-	-	-
Other sources	2,000	8,684	8,684	-
Other sources	(500,000)	-	-	-
<b>Total other financing sources (uses):</b>	<b>(506,265)</b>	<b>16,949</b>	<b>16,949</b>	<b>-</b>
Net change in fund balance	(2,687,968)	233,345	275,337	41,992
Fund balance, beginning of year	11,221,358	11,221,358	11,221,358	
Prior year encumbrances appropriated	721,609	721,609	721,609	
Fund balance, end of year	<b>9,254,999</b>	<b>12,176,312</b>	<b>12,218,304</b>	

See accompanying notes to required supplemental information.

# NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2006

## Note A Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ 1,742,728
Increase / (decrease):	
Due to revenues	(331,719)
Due to expenditures	(626,024)
Due to other sources (uses)	16,949
Due to encumbrances	<u>(526,597)</u>
Excess of revenues and other sources over (under) expenditures and other uses - Budget Basis	\$ <u>275,337</u>

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

Schedule of Prior Audit Findings

Year Ended June 30, 2006

The prior audit disclosed no instances of noncompliance that were required to be reported in accordance with *Government Auditing Standards* or noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over financial report or internal controls over compliance were reported in the prior year.

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed through Ohio Department of Education:</i>				
Nutrition Cluster:				
Food Donation	N/A	10.550	\$ 83,213	83,213
School Breakfast Program	05PU	10.553	82,821	82,821
National School Lunch Program	LLP4	10.555	<u>301,689</u>	<u>301,689</u>
Total U.S. Department of Agriculture			<u>467,723</u>	<u>467,723</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1S1	84.010	470,474	410,657
Special Education - Grants to States	6BSF	84.027	595,890	549,282
Safe and Drug-Free Schools and Communities - State Grants	DRS1	84.186	16,042	16,042
Innovative Education Program Strategies	C2S1	84.298	6,928	6,928
Education Technology State Grants	TJS1	84.318	8,882	10,574
Improving Teacher Quality State Grants	TRS1	84.367	<u>178,528</u>	<u>144,409</u>
Total U.S. Department of Education			<u>1,276,744</u>	<u>1,137,892</u>
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>				
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medical Assistance Program	N/A	93.778	26,327	26,327
State Children's Health Insurance Program (SCHIP)	N/A	93.767	<u>1,671</u>	<u>1,671</u>
Total U.S. Department of Health & Human Services			<u>27,998</u>	<u>27,998</u>
Total Federal Awards			\$ <u>1,772,465</u>	<u>1,633,613</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - NUTRITION CLUSTER**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
New Richmond Exempted Village School District:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Richmond Exempted Village School District (the School District) as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
October 10, 2006



Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

To the Board of Education  
New Richmond Exempted Village School District:

**Compliance**

We have audited the compliance of New Richmond Exempted Village School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. New Richmond Exempted Village School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Richmond Exempted Village School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

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

## **Internal Control over Compliance**

The management of New Richmond Exempted Village School District is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered New Richmond Exempted Village School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
October 10, 2006

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of report issued on financial statements:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weakness(es)?	none
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weakness(es)?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)?	none
Identification of major programs:	
<i>Title I (CFDA 84.010)</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.





**Mary Taylor, CPA**  
Auditor of State

**NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT**  
**CLERMONT 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 23, 2007**