

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2007

With

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the New Richmond Exempted Village School District, Clermont County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2007. 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 17, 2008

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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, 2007, 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, 2007, 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 December 17, 2007 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, respectively, 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 conducted 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, Hachett & Co.

Cincinnati, Ohio
December 17, 2007

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, 2007. 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 2007 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$30.8 million. Of this amount, \$12.9 million may be used to meet the government's ongoing obligations to citizens and creditors.
- ✓ In total, net assets increased by approximately \$1,423,000.
- ✓ The School District had \$26.3 million in expenses related to governmental activities; only \$2.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$25.2 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 \$1.9 from June 30, 2006 to June 30, 2007.

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.

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).

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended June 30, 2007

Unaudited

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.

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.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2007
Unaudited

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, 2007:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>FY07</u>	<u>FY06</u>	<u>FY07</u>	<u>FY06</u>	<u>FY07</u>	<u>FY06</u>
Current and other assets	\$ 30,114,372	27,287,928	283,679	284,385	30,398,051	27,572,313
Capital assets	<u>17,878,040</u>	<u>17,927,197</u>	<u>173,184</u>	<u>195,268</u>	<u>18,051,224</u>	<u>18,122,465</u>
Total assets	<u>47,992,412</u>	<u>45,215,125</u>	<u>456,863</u>	<u>479,653</u>	<u>48,449,275</u>	<u>45,694,778</u>
Long-term liabilities	3,619,679	3,407,513	29,050	33,526	3,648,729	3,441,039
Other liabilities	<u>13,974,244</u>	<u>12,862,328</u>	<u>60,609</u>	<u>48,950</u>	<u>14,034,853</u>	<u>12,911,278</u>
Total liabilities	<u>17,593,923</u>	<u>16,269,841</u>	<u>89,659</u>	<u>82,476</u>	<u>17,683,582</u>	<u>16,352,317</u>
Net assets:						
Invested in capital assets	17,218,040	17,062,197	173,184	195,268	17,391,224	17,257,465
Restricted:						
Other purposes	523,131	635,861	-	-	523,131	635,861
Unrestricted	<u>12,657,318</u>	<u>11,247,226</u>	<u>194,020</u>	<u>201,909</u>	<u>12,851,338</u>	<u>11,449,135</u>
Total net assets	\$ <u>30,398,489</u>	<u>28,945,284</u>	<u>367,204</u>	<u>397,177</u>	<u>30,765,693</u>	<u>29,342,461</u>

Total assets increased approximately \$2,754,000. Cash and investments increased during the fiscal year by approximately \$2.8 million due to positive operating results. The Board of Education and administration established clear and concise goals for the district for fiscal year 2007. Revenues were positively affected by increased interest and tuition revenues. On the expenditure side, building and department budgets were decreased by ten percent, purchase service contracts were closely reviewed and renegotiated when applicable, capital items were only purchased if needed, and finally, personal expenditures were reduced when the reduction did not negatively affect educational outputs. Total liabilities increased about \$1.3 million primarily due to unearned revenue related to the accrual of property taxes receivable. Only the amount available for advance at year-end is recognized as revenue. Thus, revenue recognition can fluctuate between years based on the County Auditor's billing and collection process.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2007
Unaudited

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, 2007 and 2006:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>FY07</u>	<u>FY06</u>	<u>FY07</u>	<u>FY06</u>	<u>FY07</u>	<u>FY06</u>
Revenues:						
Program revenues:						
Charges for services and sales	\$ 1,103,069	784,156	477,710	475,826	1,580,779	1,259,982
Operating grants and contributions	1,503,676	1,511,578	439,199	488,144	1,942,875	1,999,722
Capital grants and contributions	<u>25,921</u>	<u>11,063</u>	<u>-</u>	<u>-</u>	<u>25,921</u>	<u>11,063</u>
Total program revenues	<u>2,632,666</u>	<u>2,306,797</u>	<u>916,909</u>	<u>963,970</u>	<u>3,549,575</u>	<u>3,270,767</u>
General revenues:						
Property taxes	10,844,852	11,157,305	-	-	10,844,852	11,157,305
Grants and entitlements	13,003,867	12,898,936	-	-	13,003,867	12,898,936
Investment earnings	960,820	608,185	-	-	960,820	608,185
Miscellaneous	<u>347,032</u>	<u>111,427</u>	<u>-</u>	<u>-</u>	<u>347,032</u>	<u>111,427</u>
Total general revenues	<u>25,156,571</u>	<u>24,775,853</u>	<u>-</u>	<u>-</u>	<u>25,156,571</u>	<u>24,775,853</u>
Total revenues	<u>27,789,237</u>	<u>27,082,650</u>	<u>916,909</u>	<u>963,970</u>	<u>28,706,146</u>	<u>28,046,620</u>
Expenses:						
Instruction	15,849,875	14,724,192	-	-	15,849,875	14,724,192
Support services:						
Pupil	1,233,889	1,170,715	-	-	1,233,889	1,170,715
Instructional staff	1,124,630	1,197,979	-	-	1,124,630	1,197,979
Board of Education	96,267	153,934	-	-	96,267	153,934
Administration	1,690,755	1,739,104	-	-	1,690,755	1,739,104
Fiscal	736,396	749,287	-	-	736,396	749,287
Operation and maintenance of plant	2,853,110	3,024,169	-	-	2,853,110	3,024,169
Pupil transportation	1,897,944	1,942,469	-	-	1,897,944	1,942,469
Central	303,252	273,754	-	-	303,252	273,754
Non-instructional services	520,691	554,178	-	-	520,691	554,178
Interest and fiscal charges	29,223	35,971	-	-	29,223	35,971
Food services	-	-	915,463	945,287	915,463	945,287
Preschool	-	-	-	13,090	-	13,090
Other enterprise	<u>-</u>	<u>-</u>	<u>31,419</u>	<u>29,354</u>	<u>31,419</u>	<u>29,354</u>
Total expenses	<u>26,336,032</u>	<u>25,565,752</u>	<u>946,882</u>	<u>987,731</u>	<u>27,282,914</u>	<u>26,553,483</u>
Change in net assets	\$ <u>1,453,205</u>	<u>1,516,898</u>	<u>(29,973)</u>	<u>(23,761)</u>	<u>1,423,232</u>	<u>1,493,137</u>

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Management's Discussion and Analysis
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Of the total governmental activities revenues of \$27,789,237, \$2,632,666 (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, 43% (\$10,844,852) comes from property tax levies and 52% (\$13,003,867) 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 2007, revenues only increased about \$660,000 or 2%. The School District made a concerted effort to review and report EMIS data and clearly identify students attending New Richmond Exempted Village School District which are the financial responsibility of another district. The School District also benefited (dollars were reimbursed) from catastrophic aid monies from the Ohio Department of Education. Additionally, increased interest rates, core invested dollars, being able to extend maturities when beneficial, and utilizing callable securities the School District was able to generate additional interest earning.

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. Expenses increased by approximately \$730,000 or approximately 3% mainly due to a 2.5% raise granted to our employees, an annual 1.8% step increase and increases in insurance benefits.

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 10% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$15,849,875 but program revenue contributed to fund 12% of those costs. Thus, general revenues of \$14,012,589 were used to support of remainder of the instruction costs. The School District's governmental activities net assets increased by \$1,453,205 due primarily to flat operating expenditures and increases in revenues from interest revenue and open enrollment.

Governmental Activities

		<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$	15,849,875	1,837,286	12%	14,012,589
Support services		9,936,243	637,069	6%	9,299,174
Non-instructional services		520,691	158,311	30%	362,380
Interest and fiscal charges		<u>29,223</u>	<u>-</u>	0%	<u>29,223</u>
Total	\$	<u><u>26,336,032</u></u>	<u><u>2,632,666</u></u>	<u>10%</u>	<u><u>23,703,366</u></u>

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Management's Discussion and Analysis
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Business-type Activities

Net assets of the business-type activities decreased by \$29,973 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 97% of the costs of Food Services.

Business-type Activities					
		<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost (Revenue) of Services</u>
Food services	\$	915,463	892,432	97%	23,031
Other enterprise		<u>31,419</u>	<u>24,477</u>	78%	<u>6,942</u>
Total	\$	<u>946,882</u>	<u>916,909</u>	<u>97%</u>	<u>29,973</u>

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 \$29,213,598 (97%) of the total \$30,130,899 governmental funds assets.

General Fund. Fund balance at June 30, 2007 was \$13,284,986, including \$12,215,238 of unreserved balance, which represents 53% of expenditures for fiscal year 2007. The General Fund experienced an increase of \$1,871,666 in fund balance due to increased revenue from interest and tuition revenue and reductions of School District level expenditures such as legal and architectural services.

Permanent Improvement Fund. Fund balance at June 30, 2007 was \$2,021,552. The School District entered into contracts and renovated the high school, including new exterior walls, windows, and insulation and asbestos abatement. The project concluded in September, 2007.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT
Management's Discussion and Analysis
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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 significantly higher as compared to FY 2006, with increases from budget resulting from increased interest earning, tuition, 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 facilities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2007, the School District had \$18,051,224 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 \$71,000 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>FY07</u>	<u>FY06</u>	<u>FY07</u>	<u>FY06</u>	<u>FY07</u>	<u>FY06</u>
Land	\$ 490,034	430,370	-	-	490,034	430,370
Land improvements	1,367,732	1,548,417	-	-	1,367,732	1,548,417
Buildings and improvements	14,704,547	15,231,674	-	-	14,704,547	15,231,674
Furniture and equipment	125,133	150,641	173,184	195,268	298,317	345,909
Vehicles	<u>538,674</u>	<u>566,095</u>	<u>-</u>	<u>-</u>	<u>538,674</u>	<u>566,095</u>
Total	\$ <u>17,878,040</u>	<u>17,927,197</u>	<u>173,184</u>	<u>195,268</u>	<u>18,051,224</u>	<u>18,122,465</u>

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

Debt

The total general obligation bonds outstanding at year-end were \$660,000 with \$210,000 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

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 through 2007 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 within our community.

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, 2007

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets:			
Equity in pooled cash and investments	\$ 18,359,583	274,889	18,634,472
Receivables:			
Taxes	11,584,792	-	11,584,792
Accounts	32,270	148	32,418
Intergovernmental	95,788	-	95,788
Interest	35,989	-	35,989
Supplies inventory	-	14,592	14,592
Internal balances	5,950	(5,950)	-
Nondepreciable capital assets	1,141,954	-	1,141,954
Depreciable capital assets, net	<u>16,736,086</u>	<u>173,184</u>	<u>16,909,270</u>
Total assets	<u>47,992,412</u>	<u>456,863</u>	<u>48,449,275</u>
Liabilities:			
Accounts payable	646,433	3,672	650,105
Accrued wages	1,981,003	43,737	2,024,740
Intergovernmental payable	370,118	13,200	383,318
Unearned revenue	10,971,190	-	10,971,190
Accrued interest payable	5,500	-	5,500
Noncurrent liabilities:			
Due within one year	322,414	-	322,414
Due within more than one year	<u>3,297,265</u>	<u>29,050</u>	<u>3,326,315</u>
Total liabilities	<u>17,593,923</u>	<u>89,659</u>	<u>17,683,582</u>
Net Assets:			
Invested in capital assets, net of related debt	17,218,040	173,184	17,391,224
Restricted for:			
Other purposes	523,131	-	523,131
Unrestricted	<u>12,657,318</u>	<u>194,020</u>	<u>12,851,338</u>
Total net assets	<u>\$ 30,398,489</u>	<u>367,204</u>	<u>30,765,693</u>

See accompanying notes to the basic financial statements.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2007

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$ 13,248,368	946,036	728,813	-
Special education	2,566,290	-	159,053	-
Adult/continuing	35,217	-	3,384	-
Support services:				
Pupil	1,233,889	-	305,684	-
Instructional staff	1,124,630	-	188,527	-
Board of Education	96,267	-	-	-
Administration	1,690,755	-	105,237	-
Fiscal	736,396	-	-	-
Operation and maintenance of plant	2,853,110	-	-	-
Pupil transportation	1,897,944	-	-	25,921
Central	303,252	-	11,700	-
Non-instructional services:				
Extracurricular activities	519,281	157,033	-	-
Community service	1,410	-	1,278	-
Interest and fiscal charges	29,223	-	-	-
Total Governmental Activities	<u>26,336,032</u>	<u>1,103,069</u>	<u>1,503,676</u>	<u>25,921</u>
Business-Type Activities:				
Food Service	915,463	453,233	439,199	-
Uniform School Supplies	21,013	14,071	-	-
Latchkey	10,406	10,406	-	-
Total Business-Type Activities	<u>946,882</u>	<u>477,710</u>	<u>439,199</u>	<u>-</u>
	\$ <u>27,282,914</u>	<u>1,580,779</u>	<u>1,942,875</u>	<u>25,921</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
\$	(11,573,519)	-	(11,573,519)
	(2,407,237)	-	(2,407,237)
	(31,833)	-	(31,833)
	(928,205)	-	(928,205)
	(936,103)	-	(936,103)
	(96,267)	-	(96,267)
	(1,585,518)	-	(1,585,518)
	(736,396)	-	(736,396)
	(2,853,110)	-	(2,853,110)
	(1,872,023)	-	(1,872,023)
	(291,552)	-	(291,552)
	(362,248)	-	(362,248)
	(132)	-	(132)
	(29,223)	-	(29,223)
	<u>(23,703,366)</u>	<u>-</u>	<u>(23,703,366)</u>
	-	(23,031)	(23,031)
	-	(6,942)	(6,942)
	-	-	-
	<u>-</u>	<u>(29,973)</u>	<u>(29,973)</u>
	<u>(23,703,366)</u>	<u>(29,973)</u>	<u>(23,733,339)</u>
	10,614,888	-	10,614,888
	229,964	-	229,964
	13,003,867	-	13,003,867
	960,820	-	960,820
	347,032	-	347,032
	<u>25,156,571</u>	<u>-</u>	<u>25,156,571</u>
	1,453,205	(29,973)	1,423,232
	<u>28,945,284</u>	<u>397,177</u>	<u>29,342,461</u>
\$	<u><u>30,398,489</u></u>	<u><u>367,204</u></u>	<u><u>30,765,693</u></u>

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2007

	General	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 15,214,388	2,573,843	571,352	18,359,583
Receivables:				
Taxes	11,334,631	-	250,161	11,584,792
Accounts	32,270	-	-	32,270
Accrued interest	35,989	-	-	35,989
Intergovernmental	-	-	95,788	95,788
Interfund receivable	22,477	-	-	22,477
Total assets	26,639,755	2,573,843	917,301	30,130,899
Liabilities:				
Accounts payable	90,779	552,291	3,363	646,433
Accrued wages and benefits	1,981,003	-	-	1,981,003
Intergovernmental payable	370,118	-	-	370,118
Interfund payable	-	-	16,527	16,527
Deferred revenue	10,912,869	-	327,629	11,240,498
Total liabilities	13,354,769	552,291	347,519	14,254,579
Fund Balances:				
Reserved for:				
Encumbrances	633,548	1,452,592	20,326	2,106,466
Property taxes	436,200	-	12,300	448,500
Debt service	-	-	386,092	386,092
Unreserved, reported in:				
General Fund	12,215,238	-	-	12,215,238
Special Revenue Funds	-	-	151,064	151,064
Capital Projects Funds	-	568,960	-	568,960
Total fund balances	13,284,986	2,021,552	569,782	15,876,320
Total liabilities and fund balances	\$ 26,639,755	2,573,843	917,301	30,130,899

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2007

Total Governmental Fund Balances \$ 15,876,320

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. 17,878,040

Other long-term assets are not available to pay for current-period
 expenditures and therefore are not reported in the funds. 269,308

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	660,000	
Compensated Absences	2,959,679	
Accrued interest payable	5,500	
Total		(3,625,179)

Net Assets of Governmental Activities \$ 30,398,489

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2007

	General	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 10,790,475	-	234,797	11,025,272
Tuition and fees	931,467	-	14,569	946,036
Interest	959,164	-	-	959,164
Intergovernmental	12,989,152	-	1,503,128	14,492,280
Other local revenues	85,331	240,000	181,340	506,671
Total revenues	25,755,589	240,000	1,933,834	27,929,423
Expenditures:				
Current:				
Instruction:				
Regular	11,220,131	-	847,393	12,067,524
Special education	2,388,692	-	183,686	2,572,378
Other instruction	31,823	-	3,394	35,217
Support services:				
Pupil	884,968	-	348,921	1,233,889
Instructional staff	914,820	-	206,800	1,121,620
Board of Education	96,267	-	-	96,267
Administration	1,475,681	-	121,535	1,597,216
Fiscal	724,499	-	3,389	727,888
Operation and maintenance of plant	2,660,478	-	-	2,660,478
Pupil transportation	1,829,169	-	2,400	1,831,569
Central	299,496	-	3,756	303,252
Non-instructional services:				
Extracurricular activities	289,123	-	182,267	471,390
Community service	133	-	1,277	1,410
Capital outlay	68,643	968,428	-	1,037,071
Debt Service:				
Principal	-	-	205,000	205,000
Interest and fiscal charges	-	-	30,933	30,933
Total expenditures	22,883,923	968,428	2,140,751	25,993,102
Excess of revenues over (under) expenditures	2,871,666	(728,428)	(206,917)	1,936,321
Other financing sources (uses):				
Transfers in	-	1,000,000	-	1,000,000
Transfers out	(1,000,000)	-	-	(1,000,000)
Total other financing sources (uses):	(1,000,000)	1,000,000	-	-
Change in fund balance	1,871,666	271,572	(206,917)	1,936,321
Fund balance, beginning of year	11,413,320	1,749,980	776,699	13,939,999
Fund balance, end of year	\$ 13,284,986	2,021,552	569,782	15,876,320

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, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	1,936,321
<p>Amounts reported for governmental activities in the statement of activities are different because</p> <p>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.</p>		
Capital outlay		1,113,289
Depreciation expense		(1,159,840)
<p>Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.</p>		205,000
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		1,710
<p>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.</p>		(503,089)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		(137,580)
<p>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.</p>		<u>(2,606)</u>
Change in Net Assets of Governmental Activities	\$	<u>1,453,205</u>

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2007

	<u>Nonmajor Enterprise Funds</u>
Assets:	
Current assets:	
Equity in pooled cash and investments	\$ 274,889
Receivables:	
Accounts	148
Supplies inventory	<u>14,592</u>
Total current assets	<u>289,629</u>
Noncurrent assets:	
Capital assets, net	<u>173,184</u>
Total assets	<u>462,813</u>
Liabilities:	
Current liabilities:	
Accounts payable	3,672
Accrued wages	43,737
Intergovernmental payable	13,200
Interfund payable	<u>5,950</u>
Total current liabilities	<u>66,559</u>
Noncurrent liabilities:	
Due in more than one year	<u>29,050</u>
Total noncurrent liabilities	<u>29,050</u>
Total liabilities	<u>95,609</u>
Net Assets:	
Invested in capital assets, net of related debt	173,184
Unrestricted	<u>194,020</u>
Total net assets	<u>\$ 367,204</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, 2007

	Nonmajor Enterprise Funds
Operating revenues:	
Charges for services	\$ <u>477,710</u>
Operating expenses:	
Salaries and wages	333,172
Fringe benefits	138,987
Contractual services	63,775
Materials and supplies	379,252
Depreciation	30,639
Other expenses	<u>1,057</u>
Total operating expenses	<u>946,882</u>
Operating loss	(469,172)
Nonoperating revenues:	
Federal and state grants	426,765
Interest income	<u>12,434</u>
Total nonoperating revenues	<u>439,199</u>
Net loss	(29,973)
Net assets, beginning of year	<u>397,177</u>
Net assets, end of year	\$ <u><u>367,204</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, 2007

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from customers	\$ 477,621
Cash payments for personal services	(468,648)
Cash payments for contract services	(63,775)
Cash payments for supplies and materials	(318,396)
Cash payments for other expenses	<u>(9,612)</u>
Net cash used by operating activities	<u>(382,810)</u>
Cash flows from noncapital financing activities:	
Interfund loan (repayment)	5,950
Cash received from federal and state grants	<u>388,841</u>
Net cash provided by noncapital financing activities	<u>394,791</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(8,555)</u>
Cash flows from investing activities:	
Investment income	<u>12,434</u>
Net change in cash and cash equivalents	15,860
Cash and cash equivalents at beginning of year	<u>259,029</u>
Cash and cash equivalents at end of year	\$ <u><u>274,889</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(469,172)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	30,639
Donated commodities used	37,924
Changes in assets and liabilities:	
Accounts receivable	(89)
Accounts payable	3,672
Supplies inventory	10,705
Accrued wages and benefits	4,863
Intergovernmental payable	3,124
Compensated absences payable	<u>(4,476)</u>
Net cash used by operating activities	\$ <u><u>(382,810)</u></u>

See accompanying notes to the basic financial statements.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets

Fiduciary Funds

June 30, 2007

	Private Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Equity in pooled cash and investments	\$ 82,359	31,220
Total assets	<u>82,359</u>	<u>31,220</u>
 LIABILITIES		
Due to student groups	<u>-</u>	31,220
Total liabilities	<u>-</u>	<u>31,220</u>
 NET ASSETS		
Held in trust	\$ <u>82,359</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, 2007

	<u>Private- Purpose Trust Funds</u>
Additions:	
Contributions	\$ 20,317
Interest	<u>4,038</u>
Total additions	<u>24,355</u>
Deductions:	
Community gifts, awards and scholarships	<u>19,498</u>
Total deductions	<u>19,498</u>
Change in net assets	4,857
Net assets, beginning of year	<u>77,502</u>
Net assets, end of year	\$ <u><u>82,359</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, 2007

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 four organizations, two of which are defined as jointly governed organizations and two 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, 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, 2007

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 financial 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, 2007

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, which are used to account for student activities, 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, 2007

The modified accrual basis of accounting is used by the governmental 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 fiduciary 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, 2007 which are intended to finance fiscal year 2008 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, 2007

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 2007, 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, 2007.

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, 2007 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, 2007

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, 2007

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, 2007

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, 2007

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, \$803,601 of the School District's bank balance of \$912,977 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, 2007

Investments

The School District's investments at June 30, 2007 are as summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>
FHLB	\$ 2,133,515	0.84
FNMA	2,457,739	2.51
FHLMC	995,270	4.42
Star Ohio	1,847,311	n/a
US Money Market	<u>10,956,620</u>	n/a
	\$ <u>18,390,455</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 12%, 13%, and 5%, respectively, of its total investments at June 30, 2007 while 60% 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, 2007

3. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at varying percentages of true value and on real property at 35% of true value.

Tangible personal property taxes are levied after April 1 on the value as of December 31 of the current year. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 was 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2007, 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, 2007. 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, 2007, was \$436,200 in the General Fund and \$12,300 in the Debt Service Fund.

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

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2007

	<u>2006 First- Half Collections</u>		<u>2007 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 286,272,400	61.90%	295,137,440	62.66%
Public Utility	174,100,970	37.65%	174,293,760	37.01%
Tangible Personal Property	<u>2,105,794</u>	0.46%	<u>1,563,128</u>	0.33%
Total Assessed Value	\$ <u>462,479,164</u>	100.00%	<u>470,994,328</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, 2007 was as follows:

	<u>Balance 7/1/06</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/07</u>
Governmental Activities				
Nondepreciable:				
Land	\$ 430,370	59,664	-	490,034
Construction in progress	-	651,920	-	651,920
Subtotal	<u>430,370</u>	<u>711,584</u>	<u>-</u>	<u>1,141,954</u>
Depreciable:				
Land improvements	2,718,855	-	-	2,718,855
Buildings and improvements	29,572,925	180,680	-	29,753,605
Vehicles	2,032,822	137,000	(98,838)	2,070,984
Equipment and furniture	2,127,119	84,025	(7,407)	2,203,737
Subtotal	<u>36,451,721</u>	<u>401,705</u>	<u>(106,245)</u>	<u>36,747,181</u>
Totals at historical cost	<u>36,882,091</u>	<u>1,113,289</u>	<u>(106,245)</u>	<u>37,889,135</u>
Less accumulated depreciation:				
Land improvements	1,170,438	180,685	-	1,351,123
Buildings and improvements	14,341,251	707,807	-	15,049,058
Equipment and furniture	1,882,181	161,383	(97,713)	1,945,851
Vehicles	<u>1,561,024</u>	<u>109,965</u>	<u>(5,926)</u>	<u>1,665,063</u>
Total accumulated depreciation	<u>18,954,894</u>	<u>1,159,840</u>	<u>(103,639)</u>	<u>20,011,095</u>
Capital assets, net	\$ <u>17,927,197</u>	<u>(46,551)</u>	<u>(2,606)</u>	<u>17,878,040</u>

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2007

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	761,591
Support services:		
Instructional staff		8,760
Administration		93,539
Operation and maintenance of plant		47,825
Pupil transportation		200,234
Extracurricular activities		<u>47,891</u>
 Total depreciation expense	\$	<u><u>1,159,840</u></u>

		Balance 7/1/06	Additions	Disposals	Balance 6/30/07
<i>Business-type Activities:</i>					
Furniture and equipment	\$	472,749	8,555	-	481,304
Less accumulated depreciation		<u>277,481</u>	<u>30,639</u>	<u>-</u>	<u>308,120</u>
 Capital assets, net	\$	<u><u>195,268</u></u>	<u><u>(22,084)</u></u>	<u><u>-</u></u>	<u><u>173,184</u></u>

Depreciation expense of \$30,639 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. The School District maintains comprehensive insurance coverage with private carriers 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, 2007

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, 2007, 2006, and 2005 were approximately \$523,000, \$537,000, and \$513,000 respectively; 100% has been contributed for fiscal years 2007, 2006 and 2005.

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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS 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, 2007

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, 2007, 2006, and 2005 were approximately \$1,623,000, \$1,627,000 and \$1,553,000 respectively; 81% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005. The unpaid contribution for fiscal year 2007 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, 2007, 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 2007. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.5 billion at June 30, 2006. For the year ended June 30, 2006, net health care costs paid by STRS were \$282.7 million and STRS had 119,184 eligible benefit recipients.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2007

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 3.42% 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 2007, the minimum pay has been established at \$35,800. 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, 2006 were \$158.7 million. At June 30, 2006, SERS' net assets available for payment of health care benefits was \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, was approximately \$128,000 during the 2007 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 360 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, 2007

9. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 7/1/06	Additions	Reductions	Principal Outstanding 6/30/07	Amounts Due in One Year
<i>Governmental Activities:</i>					
General obligation bonds:					
School Improvement	\$ 865,000	-	(205,000)	660,000	210,000
Compensated absences	2,542,513	599,439	(182,273)	2,959,679	112,414
Total	\$ 3,407,513	599,439	(387,273)	3,619,679	322,414
<i>Business-type Activities:</i>					
Compensated absences	\$ 33,526	-	(4,476)	29,050	-

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, 2007, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 210,000	27,345	237,345
2009	220,000	19,470	239,470
2010	230,000	10,120	240,120
Total	\$ 660,000	56,935	716,935

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 \$41,729,490 with an unvoted debt margin of \$470,994 at June 30, 2007.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2007

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.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2007

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, 2007.

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.

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.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2007

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, 2006	\$	(2,547,313)	-
Current year set-aside requirement		366,207	366,207
Less qualifying disbursements		<u>(407,662)</u>	<u>(1,289,370)</u>
Total		<u><u>(2,588,768)</u></u>	<u><u>(923,163)</u></u>
Balance carried to FY2008		<u><u>(2,588,768)</u></u>	<u><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, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	10,473,006	11,189,975	11,189,975	-
Tuition and fees	542,590	914,751	914,751	-
Interest	350,000	913,301	913,301	-
Intergovernmental	12,844,487	12,989,152	12,989,152	-
Other local revenues	127,000	118,369	118,369	-
Total revenues	<u>24,337,083</u>	<u>26,125,548</u>	<u>26,125,548</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,816,368	11,514,913	11,514,913	-
Special education	2,767,599	2,422,812	2,422,812	-
Other instruction	67,487	31,906	31,906	-
Support services:				
Pupil	986,995	892,922	892,922	-
Instructional staff	1,184,008	951,870	951,870	-
Board of Education	162,324	101,274	101,274	-
Administration	1,588,125	1,516,203	1,516,203	-
Instruction:				
Operation and maintenance of plant	844,925	835,796	835,796	-
Pupil transportation	3,320,657	2,833,570	2,833,570	-
Central	1,895,177	1,871,045	1,871,045	-
Non-instructional services:	268,023	319,376	319,376	-
Extracurricular activities	301,607	287,977	287,977	-
Capital outlay	-	69,762	69,762	-
Total expenditures	<u>25,203,295</u>	<u>23,649,426</u>	<u>23,649,426</u>	<u>-</u>
Excess of revenues over expenditures	(866,212)	2,476,122	2,476,122	-
Other financing sources (uses):				
Transfers in	2,074,758	2,104,758	2,104,758	-
Transfers out	(3,074,758)	(3,104,758)	(3,104,758)	-
Advances out	-	(22,477)	(22,477)	-
Other sources	-	9,649	9,649	-
Total other financing sources (uses):	<u>(1,000,000)</u>	<u>(1,012,828)</u>	<u>(1,012,828)</u>	<u>-</u>
Net change in fund balance	(1,866,212)	1,463,294	1,463,294	-
Fund balance, beginning of year	12,218,304	12,218,304	12,218,304	-
Prior year encumbrances appropriated	526,596	526,596	526,596	-
Fund balance, end of year	<u>10,878,688</u>	<u>14,208,194</u>	<u>14,208,194</u>	-

See accompanying notes to required supplemental information.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2007

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	\$ 1,871,666
Increase / (decrease):	
Due to revenues	369,959
Due to expenditures	(46,879)
Due to other sources (uses)	(12,828)
Due to encumbrances	<u>(718,624)</u>
Net change in fund balance - Budget Basis	\$ <u>1,463,294</u>

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

<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>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed through Ohio Department of Education:</i>				
Food Donation	N/A	10.550	\$ 37,924	37,924
Nutrition Cluster:				
School Breakfast Program	05PU	10.553	84,292	84,292
National School Lunch Program	LLP4	10.555	<u>287,036</u>	<u>287,036</u>
Total U.S. Department of Agriculture			<u>371,328</u>	<u>371,328</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1S1	84.010	501,325	548,690
Special Education - Grants to States	6BSF	84.027	582,172	711,548
Safe and Drug-Free Schools and Communities - State Grants	DRS1	84.186	10,842	11,623
State Grants for Innovative Programs	C2S1	84.298	3,384	3,384
Education Technology State Grants	TJS1	84.318	4,263	5,031
Improving Teacher Quality State Grants	TRS1	84.367	<u>190,211</u>	<u>215,850</u>
Total U.S. Department of Education			<u>1,292,197</u>	<u>1,496,126</u>
Total Federal Awards			\$ <u>1,701,449</u>	<u>1,905,378</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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - DONATED COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.



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, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 17, 2007. 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness on the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs and referenced as 2007-1 to be a significant deficiency in internal control over financial reporting

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

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*.

We noted certain matters that we reported to the management of the School District in a separate letter dated December 17, 2007.

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

This report is intended solely for the information and use 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.



Cincinnati, Ohio
December 17, 2007



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, Ohio (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, 2007. The 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 the 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, the 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, 2007.

Internal Control Over Compliance

The management of School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in the entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School District's internal control.

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

This report is intended solely for the information and use 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
December 17, 2007

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

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?	yes
Significant deficiency(ies) identified not considered to be material weakness(es)?	no
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	none
Significant deficiency(ies) 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>Special Education Cluster:</i>	
<i>CFDA 84.027 – Special Education – Grants to States</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

Finding 2007-1 – Audit Adjustments

During the course of our audit, we identified a number of material misstatements in the financial statements for the year under audit that were not initially identified by the Schools District's internal control. Throughout the year, the Schools District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustments were necessary to correct errors in the School District's conversion process. A description of each adjustment follows:

- **Accounts Payables.** An audit adjustment was necessary to correct accounts payables in the financial statements. Accounts payables reported at June 30, 2007 were understated by \$506,966 as the School District omitted certain items when capturing data in regards to liabilities owed at year-end.
- **Capital Assets.** An audit adjustment was necessary to correct Governmental Activities capital assets in the financial statements. The School District did not account for construction in progress at year-end which resulted in understatement of capitals assets in the amount of \$711,584.

Management response: Management concurs with the finding.

Section III - Federal Award Findings and Questioned Costs

None.

NEW RICHMOND EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Prior Audit Findings

Year Ended June 30, 2007

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 significant deficiencies or material weaknesses with respect to internal controls over financial report or internal controls over compliance were reported in the prior year.



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 31, 2008**