



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	13
Statement of Activities – Cash Basis.....	14
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds.....	15
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis - Governmental Funds.....	16
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis - General Fund.....	17
Statement of Fiduciary Net Assets – Cash Basis.....	18
Statement of Changes in Fiduciary Net Assets – Cash Basis.....	19
Notes to the Basic Financial Statements .....	20
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	41
Schedule of Findings .....	43
Schedule of Prior Audit Findings.....	44

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Riegel Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Riegel Local School District, Seneca County, Ohio, as of June 30, 2008, and the changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

January 9, 2009

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

The discussion and analysis of the New Riegel Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- The total net assets of the District increased \$405,484 or 28.98% from fiscal year 2007.
- General receipts accounted for \$3,262,101 or 77.78% of total governmental activities receipts. Program specific receipts accounted for \$931,756 or 22.22% of total governmental activities receipts.
- The District had \$3,788,373 in disbursements related to governmental activities; \$931,756 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily taxes) of \$3,262,101 were adequate to provide for these programs.
- The District's major funds are the general fund and permanent improvement fund. The general fund, the District's largest major fund, had total receipts of \$3,659,732 in 2008. The disbursements and other financing uses of the general fund, totaled \$3,275,071 in 2008. The general fund's balance increased \$384,661 or 57.78% from 2007 to 2008.
- The permanent improvement fund had total receipts and other financing sources of \$75,050 in 2008. The permanent improvement fund had total disbursements of \$110,363 in 2008. The permanent improvement fund balance decreased \$35,313 or 11.66% from 2007 to 2008.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

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

**Basis of Accounting**

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be cash, cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the District as a Whole**

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

The Statement of Net Assets and Statement of Activities reflect how the District did financially during fiscal year 2008, within the limitations of the cash basis accounting. The Statements of Net Assets presents the cash balances and investments of the governmental type activities of the District at fiscal year end. The Statement of Activities compares cash disbursements with program receipts of each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

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

**Fund Financial Statements**

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

**Governmental Funds**

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



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)

**Fiduciary Funds**

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

**Notes to the Financial Statements**

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

**The District as a Whole**

The table below provides a summary of the District's net assets for 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$1,804,719	\$1,399,143
Cash with fiscal agent	121	213
	<u>121</u>	<u>213</u>
Total assets	<u>\$1,804,840</u>	<u>\$1,399,356</u>
<u>Net Assets</u>		
Restricted	\$820,923	\$774,320
Unrestricted	983,917	625,036
	<u>983,917</u>	<u>625,036</u>
Total net assets	<u>\$1,804,840</u>	<u>\$1,399,356</u>

The total net assets of the District increased \$405,484, which represents a 28.98% increase from fiscal year 2007. The balance of government-wide unrestricted net assets of \$983,917 may be used to meet the District's ongoing obligations to citizens and creditors.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)

The table below shows the changes in net assets for fiscal year 2008 and 2007.

	<b>Change in Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2008</u>	<u>2007</u>
<b>Receipts:</b>		
Program receipts:		
Charges for services and sales	\$609,206	\$531,416
Operating grants and contributions	320,549	310,473
Capital grants and contributions	2,001	3,219
	<hr/>	<hr/>
Total program receipts	931,756	845,108
	<hr/>	<hr/>
General receipts:		
Property taxes	714,143	770,163
Income tax	549,089	294,707
Unrestricted grants	1,937,736	1,957,696
Investment earnings	54,184	45,943
Other	6,949	11,290
	<hr/>	<hr/>
Total general receipts	3,262,101	3,079,799
	<hr/>	<hr/>
Total receipts	4,193,857	3,924,907
	<hr/>	<hr/>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)

	<b>Change in Net Assets</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2008</u>	<u>2007</u>
<b>Disbursements:</b>		
Instruction:		
Regular	1,716,715	1,674,474
Special	345,069	371,253
Vocational	35,775	16,718
Other	17,340	
Support services:		
Pupil	98,789	87,101
Instructional staff	104,776	125,155
Board of education	17,664	20,811
Administration	279,106	264,120
Fiscal	164,044	166,049
Operations and maintenance	398,026	357,705
Pupil transportation	232,508	117,981
Food service operations	137,441	123,114
Extracurricular activities	163,269	160,534
Facilities acquisition and construction	7,205	
Debt service:		
Principal retirement	30,000	30,000
Interest and fiscal charges	40,646	41,882
Total disbursements	<u>3,788,373</u>	<u>3,556,897</u>
Change in net assets	405,484	368,010
Net assets at beginning of year	<u>1,399,356</u>	<u>1,031,346</u>
Net assets at end of year	<u><u>\$1,804,840</u></u>	<u><u>\$1,399,356</u></u>

**Governmental Activities**

Governmental assets increased by \$405,484 in 2008 from 2007. Total governmental disbursements of \$3,788,373 were offset by program receipts of \$931,756 and general receipts of \$3,262,101. Program receipts supported 24.60% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 76.33% of total governmental receipts. Real estate property is reappraised every six years.

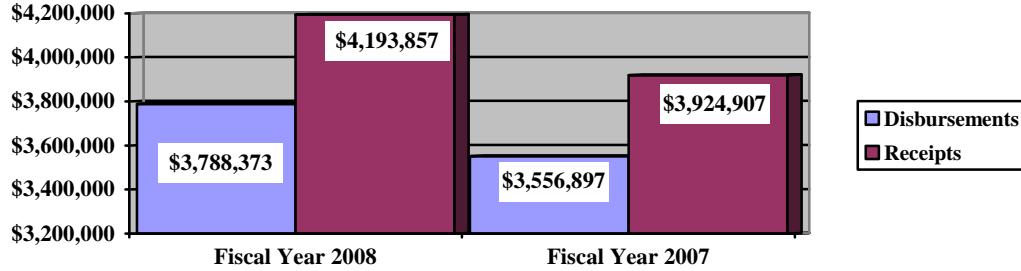
The largest disbursement of the District is for instructional programs. Instruction disbursements totaled \$2,114,899 or 55.83% of total governmental disbursements for fiscal year 2008.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)

The graph below presents the District's governmental activities receipts and disbursements for fiscal year 2008 and 2007.

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



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

**Governmental Activities**

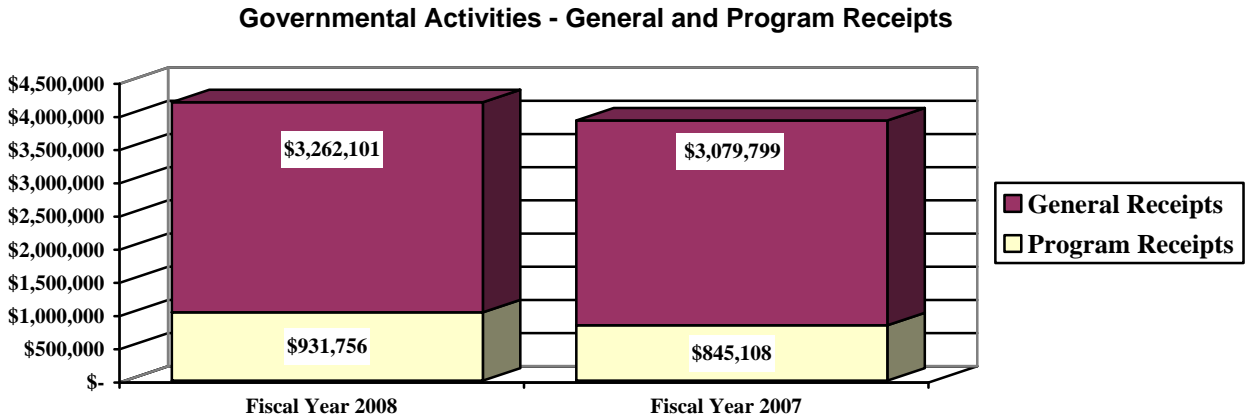
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Disbursements:</b>				
Instruction:				
Regular	\$1,716,715	\$1,257,689	\$1,674,474	\$1,251,052
Special	345,069	144,591	371,253	182,593
Vocational	35,775	34,389	16,718	16,718
Other	17,340	17,340		
Support services:				
Pupil	98,789	79,727	87,101	67,926
Instructional staff	104,776	101,592	125,155	121,767
Board of education	17,664	8,029	20,811	19,846
Administration	279,106	274,052	264,120	259,557
Fiscal	164,044	164,044	166,049	166,049
Operations and maintenance	398,026	380,662	357,705	341,020
Pupil transportation	232,508	222,606	117,981	109,701
Food service operations	137,441	1,431	123,114	3,730
Extracurricular activities	163,269	92,614	160,534	99,948
Facilities acquisition and construction	7,205	7,205		
Debt service:				
Principal retirement	30,000	30,000	30,000	30,000
Interest and fiscal charges	40,646	40,646	41,882	41,882
<b>Total</b>	<b>\$3,788,373</b>	<b>\$2,856,617</b>	<b>\$3,556,897</b>	<b>\$2,711,789</b>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)

The dependence upon general receipts for governmental activities is apparent; with 75.54% of disbursements supported through taxes and other general receipts during 2008. For all governmental activities, general receipts support is 86.23%. The District's taxpayers, as a whole, are by far the primary support of the District's students.

The graph below presents the District's governmental activities receipts for fiscal year 2008 and 2007.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,804,840, which is \$405,484 above last year's total of \$1,399,356. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and June 30, 2007, for all major and nonmajor governmental funds.

	<u>Fund Balance June 30, 2008</u>	<u>Fund Balance June 30, 2007</u>	<u>Increase (Decrease)</u>
Major Funds:			
General	\$1,050,348	\$665,687	\$384,661
Permanent Improvement	267,578	302,891	(35,313)
Other Nonmajor Governmental Funds	<u>486,914</u>	<u>430,778</u>	<u>56,136</u>
<b>Total</b>	<u><u>\$1,804,840</u></u>	<u><u>\$1,399,356</u></u>	<u><u>\$405,484</u></u>

**General Fund**

The general fund, the District's largest major fund, had total receipts of \$3,659,732 in 2008. The disbursements and other financing uses of the general fund, totaled \$3,275,071 in 2008. The general fund's balance increased \$384,661 or 57.78% from 2007 to 2008.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)

The table that follows assists in illustrating the receipts of the general fund.

	<u>2008 Amount</u>	<u>2007 Amount</u>	<u>Percentage Change</u>
<b><u>Receipts:</u></b>			
Taxes	\$1,176,147	\$950,838	23.70 %
Tuition	385,869	335,350	15.06 %
Earnings on investments	54,184	45,274	19.68 %
Other local revenues	52,056	40,346	29.02 %
Intergovernmental - state	<u>1,991,476</u>	<u>2,001,285</u>	(0.49) %
Total	<u><u>\$3,659,732</u></u>	<u><u>\$3,373,093</u></u>	8.50 %

Investment income receipts increased due to higher interest earning investments. Tuition receipts increased \$50,519 or 15.06% due to the number of out of district students. Income tax collections increased during 2008 due to the passage of an additional 0.75% income tax levy passed by the voters on May 2, 2006, resulting in tax revenue increases of 23.70%. All other revenue remained comparable to 2007.

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2008 Amount</u>	<u>2007 Amount</u>	<u>Percentage Change</u>
<b><u>Disbursements</u></b>			
Instruction	\$1,925,913	\$1,840,403	4.65 %
Support services	1,154,610	1,089,012	6.02 %
Extracurricular	<u>100,327</u>	<u>97,987</u>	2.39 %
Total	<u><u>\$3,180,850</u></u>	<u><u>\$3,027,402</u></u>	5.07 %

Disbursements remained comparable to 2007. Overall, disbursements increased \$153,448 from 2007.

**Permanent Improvement Fund**

The permanent improvement fund, a District major fund, had total receipts and other financing sources of \$75,050 in 2008. The permanent improvement fund had total disbursements of \$110,363 in 2008. The permanent improvement fund balance decreased \$35,313 or 11.66% from 2007 to 2008.

**General Fund Budgeting Highlights**

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

For the general fund, final budgeted receipts were \$299 lower than original budgeted receipts of \$3,578,000. Actual receipts of \$3,659,732 were higher than final budgeted receipts by \$82,031. The final budgeted disbursements and other financing uses of \$3,356,044 were \$37,001 higher than original budgeted disbursements and other financing uses. The actual disbursements and other financing uses of \$3,299,986 were \$56,058 less than the final budgeted disbursements and other financing uses.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt Administration**

The District had the following long-term obligations outstanding at June 30, 2008 and 2007:

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
General obligation bonds	<u>\$ 785,000</u>	<u>\$ 815,000</u>
Total long-term obligations	<u>\$ 785,000</u>	<u>\$ 815,000</u>

For further information regarding the District's debt, refer to Note 9 to the financial statements.

**Current Financial Related Activities**

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

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

Formula ADM decreased from 441 in fiscal year 2003 to 351 in fiscal year 2008. This decrease in resident enrollment has caused the District to be funded under state funding guarantees since fiscal year 2004. In fiscal year 2008, we received \$241,808 in guarantee funding, the equivalent of nearly 42 students. This reliance on guarantee funding causes our state funding to be flat.

Open enrollment continues to prove important for our District. In fiscal year 2008, the District had a net positive open enrollment of 33 students, bringing in a net of \$147,130 in funding.

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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

**Contacting the District's Financial Management**

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



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2008

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$1,804,719
Cash with fiscal agent. . . . .	121
Total assets. . . . .	\$1,804,840
 <b>Net Assets:</b>	
Restricted for:	
Locally funded programs . . . . .	\$15,127
State funded programs . . . . .	4,635
Federally funded programs. . . . .	17,585
Student activities. . . . .	19,159
Capital projects . . . . .	268,062
Classroom facilities maintenance . . . . .	169,893
Debt service. . . . .	173,166
Other purposes. . . . .	153,296
Unrestricted. . . . .	983,917
Total net assets . . . . .	\$1,804,840

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

		Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$1,716,715	\$407,907	\$51,119		(\$1,257,689)
Special . . . . .	345,069		200,478		(144,591)
Vocational . . . . .	35,775		1,386		(34,389)
Other . . . . .	17,340				(17,340)
Support services:					
Pupil . . . . .	98,789		19,062		(79,727)
Instructional staff . . . . .	104,776		3,184		(101,592)
Board of education . . . . .	17,664	9,619	16		(8,029)
Administration . . . . .	279,106		5,054		(274,052)
Fiscal . . . . .	164,044				(164,044)
Operations and maintenance . . . . .	398,026	11,364	6,000		(380,662)
Pupil transportation . . . . .	232,508	7,636	265	\$2,001	(222,606)
Operation of non-instructional services:					
Food service operations . . . . .	137,441	102,025	33,985		(1,431)
Extracurricular activities . . . . .	163,269	70,655			(92,614)
Facilities acquisition and construction . . . . .					
	7,205				(7,205)
Debt service:					
Principal retirement . . . . .	30,000				(30,000)
Interest and fiscal charges . . . . .	40,646				(40,646)
<b>Total governmental activities . . . . .</b>	<b>\$3,788,373</b>	<b>\$609,206</b>	<b>\$320,549</b>	<b>\$2,001</b>	<b>(2,856,617)</b>
<b>General Receipts:</b>					
Property taxes levied for:					
					627,058
					73,031
					14,054
					549,089
Grants and entitlements not restricted to specific programs . . . . .					
					1,937,736
					54,184
					6,949
<b>Total general receipts . . . . .</b>					<b>3,262,101</b>
					405,484
<b>Net assets at beginning of year . . . . .</b>					<b>1,399,356</b>
<b>Net assets at end of year . . . . .</b>					<b>\$1,804,840</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<b>General</b>	<b>Permanent Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$983,917	\$267,578	\$486,793	\$1,738,288
Cash with fiscal agent . . . . .			121	121
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	66,431			66,431
Total assets . . . . .	<u>\$1,050,348</u>	<u>\$267,578</u>	<u>\$486,914</u>	<u>\$1,804,840</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	\$24,915	\$1,279	\$2,329	\$28,523
Reserved for textbooks . . . . .	66,431			66,431
Unreserved, designated:				
Designation for termination benefits . . . . .			83,051	83,051
Unreserved, undesignated, reported in:				
General fund . . . . .	959,002			959,002
Special revenue funds. . . . .			227,884	227,884
Debt service fund . . . . .			173,166	173,166
Capital projects funds. . . . .		266,299	484	266,783
Total fund balances . . . . .	<u>\$1,050,348</u>	<u>\$267,578</u>	<u>\$486,914</u>	<u>\$1,804,840</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
From local sources:				
Taxes . . . . .	\$1,176,147		\$87,085	\$1,263,232
Tuition . . . . .	385,869			385,869
Charges for services . . . . .			102,025	102,025
Earnings on investments . . . . .	54,184		5,275	59,459
Extracurricular . . . . .	2,500		75,442	77,942
Classroom materials and fees . . . . .	22,038			22,038
Other local revenues . . . . .	27,518	\$50	713	28,281
Intergovernmental - Intermediate . . . . .			31,360	31,360
Intergovernmental - State . . . . .	1,991,476		38,346	2,029,822
Intergovernmental - Federal . . . . .			193,829	193,829
Total receipts . . . . .	<u>3,659,732</u>	<u>50</u>	<u>534,075</u>	<u>4,193,857</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	1,651,901	10,596	54,218	1,716,715
Special . . . . .	220,897		124,172	345,069
Vocational . . . . .	35,775			35,775
Other . . . . .	17,340			17,340
Support services:				
Pupil . . . . .	79,724		19,065	98,789
Instructional staff . . . . .	101,522		3,254	104,776
Board of education . . . . .	17,664			17,664
Administration . . . . .	273,643		5,463	279,106
Fiscal . . . . .	162,524		1,520	164,044
Operations and maintenance . . . . .	366,768	20,424	10,834	398,026
Pupil transportation . . . . .	152,765	72,138	7,605	232,508
Operation of non-instructional services:				
Food service operations . . . . .			137,441	137,441
Extracurricular activities . . . . .	100,327		62,942	163,269
Facilities acquisition and construction . . . . .		7,205		7,205
Debt service:				
Principal retirement . . . . .			30,000	30,000
Interest and fiscal charges . . . . .			40,646	40,646
Total disbursements . . . . .	<u>3,180,850</u>	<u>110,363</u>	<u>497,160</u>	<u>3,788,373</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>478,882</u>	<u>(110,313)</u>	<u>36,915</u>	<u>405,484</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .		75,000	19,442	94,442
Transfers (out) . . . . .	<u>(94,221)</u>		<u>(221)</u>	<u>(94,442)</u>
Total other financing sources (uses) . . . . .	<u>(94,221)</u>	<u>75,000</u>	<u>19,221</u>	
Net change in fund balances . . . . .	384,661	(35,313)	56,136	405,484
Fund balances at beginning of year . . . . .	665,687	302,891	430,778	1,399,356
Fund balances at end of year . . . . .	<u>\$1,050,348</u>	<u>\$267,578</u>	<u>\$486,914</u>	<u>\$1,804,840</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
From local sources:				
Taxes . . . . .	\$1,137,495	\$1,137,400	\$1,176,147	\$38,747
Tuition . . . . .	342,029	342,000	385,869	43,869
Earnings on investments . . . . .	45,004	45,000	54,184	9,184
Extracurricular . . . . .	2,500	2,500	2,500	
Classroom materials and fees . . . . .	20,002	20,000	22,038	2,038
Other local revenue . . . . .	16,501	16,500	27,518	11,018
Intergovernmental - State . . . . .	2,014,469	2,014,301	1,991,476	(22,825)
Total receipts . . . . .	<u>3,578,000</u>	<u>3,577,701</u>	<u>3,659,732</u>	<u>82,031</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	1,669,279	1,688,425	1,653,362	35,063
Special . . . . .	233,689	236,369	221,337	15,032
Vocational . . . . .	28,671	29,000	35,775	(6,775)
Other . . . . .			17,340	(17,340)
Support services:				
Pupil . . . . .	76,228	77,102	79,901	(2,799)
Instructional staff . . . . .	124,731	126,162	101,739	24,423
Board of education . . . . .	27,608	27,925	17,764	10,161
Administration . . . . .	276,096	279,263	274,499	4,764
Fiscal . . . . .	167,793	169,717	162,524	7,193
Operations and maintenance . . . . .	389,948	394,420	387,294	7,126
Pupil transportation . . . . .	136,189	137,751	153,903	(16,152)
Extracurricular activities . . . . .	95,811	96,910	100,327	(3,417)
Total disbursements . . . . .	<u>3,226,043</u>	<u>3,263,044</u>	<u>3,205,765</u>	<u>57,279</u>
Excess of receipts over disbursements . . . . .	<u>351,957</u>	<u>314,657</u>	<u>453,967</u>	<u>139,310</u>
<b>Other financing uses:</b>				
Transfers (out) . . . . .	<u>(93,000)</u>	<u>(93,000)</u>	<u>(94,221)</u>	<u>(1,221)</u>
Net change in fund balance . . . . .	258,957	221,657	359,746	138,089
<b>Fund balance at beginning of year . . . . .</b>	656,737	656,737	656,737	
<b>Prior year encumbrances appropriated . . . . .</b>	8,950	8,950	8,950	
<b>Fund balance at end of year . . . . .</b>	<u><u>\$924,644</u></u>	<u><u>\$887,344</u></u>	<u><u>\$1,025,433</u></u>	<u><u>\$138,089</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	<u>\$2,808</u>	<u>\$40,666</u>
 <b>Net Assets:</b>		
Held in trust for scholarships . . . . .	\$2,808	
Held for student activities . . . . .		\$34,005
Held for employee benefits . . . . .	<u>                    </u>	<u>6,661</u>
 Total net assets . . . . .	 <u><u>\$2,808</u></u>	 <u><u>\$40,666</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$48
Gifts and contributions . . . . .	1,981
Total additions . . . . .	2,029
<b>Deductions:</b>	
Scholarships awarded . . . . .	1,000
Change in net assets . . . . .	1,029
<b>Net assets at beginning of year . . . . .</b>	<b>1,779</b>
<b>Net assets at end of year . . . . .</b>	<b>\$2,808</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 1 – REPORTING ENTITY**

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

The District was established in 1841 through the consolidation of existing land areas and school districts. The District serves an area of approximately 30 square miles. It is located in Seneca County and includes the entire Village of New Riegel. The District is the 651 largest in the State of Ohio (among 896 school districts) in terms of enrollment. It is staffed by 22 classified employees, 34 certified teaching personnel, and 3 administrative employees who provide services to 395 students in grades K through 12 and other community members. The District currently operates one elementary, one middle school, and one comprehensive high school.

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

**A. Primary Government**

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

**B. Component Units**

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

**C. Other Organizations**

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



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the NOECA, which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Centers

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

Northwestern Ohio Educational Research Council, Inc. (NOERC)

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

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. The District paid \$21,844 during fiscal year 2008 for natural gas. Financial information is available from the Erie Huron Ottawa Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

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

PUBLIC ENTITY RISK POOLS

North Central Ohio Joint Self-Insurance Association (Association)

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, the Sandusky County Educational Service Center, and six local school districts - Tiffin, Old Fort, Bettsville, Seneca East, Mohawk and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 10.B. for further information on this public entity risk pool.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating program for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 10.C. for further information on this group rating program.

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

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

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

**A. Basis of Accounting**

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

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

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

**B. Fund Accounting**

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

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

**C. Basis of Presentation**

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

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

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

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

**D. Budgetary Process**

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

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

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

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the basic financial statements.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

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

During fiscal year 2008, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the STAR Ohio during fiscal 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the fund from which the investment was made. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$54,184, which includes \$23,093 assigned from other funds.

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

An analysis of the District's investment account at year-end is provided in Note 5.

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

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

**I. Accumulated Leave**

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

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

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

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

**N. Interfund Activity**

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 3 – COMPLIANCE**

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

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

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

The encumbrances outstanding at year end (budgetary basis) amounted to \$24,915 in the General Fund.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)**

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

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

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

**A. Cash with Fiscal Agent**

The District had \$121 in cash held by the North Central Ohio Educational Service Center which is included on the balance sheet as "cash with fiscal agent". The Educational Service Center holds this flow through grant money for the District along with that of other school districts and therefore is not included in the cash balances below.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$1,186,705. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,205,517 of the District's bank balance of \$1,305,517 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

**C. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Cost</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$661,488</u>	<u>\$661,488</u>

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Cost</u>	<u>% of Total</u>
STAR Ohio	<u>\$661,488</u>	<u>100.00</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)**

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Assets as of June 30, 2008:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$1,186,705
Investments	661,488
Cash with fiscal agent	<u>121</u>
Total	<u><u>\$1,848,314</u></u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$1,804,840
Private-purpose trust funds	2,808
Agency funds	<u>40,666</u>
Total	<u><u>\$1,848,314</u></u>

**NOTE 6 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers to permanent improvement fund from:	
General fund	\$75,000
Transfers to nonmajor governmental funds from:	
General fund	19,221
Nonmajor governmental funds	221

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 7 - PROPERTY TAXES – (Continued)**

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$30,545,800	93.07	\$30,903,910	94.66
Public utility personal	1,498,800	4.56	1,354,280	4.15
Tangible personal property	<u>777,358</u>	<u>2.37</u>	<u>387,448</u>	<u>1.19</u>
Total	<u>\$32,821,958</u>	<u>100.00</u>	<u>\$32,645,638</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$42.10		\$42.10	

**NOTE 8 - SCHOOL DISTRICT INCOME TAX**

The District levies a voted tax of three-quarters of one percent (0.75%) for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. An additional tax of three-quarters of one percent (0.75%) was passed by the voters on May 2, 2006. This additional tax is for five years beginning January 1, 2007, for the purpose of current expenses. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund. Total income tax revenue for fiscal year 2008 equaled \$549,089.

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. In fiscal year 2001, the District issued \$985,000 in general obligation bonds to provide funds for the construction of a new elementary, middle and high school (hereafter "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund, a nonmajor governmental funds. The source of payment is derived from a current 4.32 mill bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC made quarterly disbursements to the District as the project was completed. The project was completed during fiscal year 2004.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)**

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

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

Year Ending June 30	G.O. Bonds		
	Principal	Interest	Total
2009	\$35,000	\$39,287	\$74,287
2010	35,000	37,809	72,809
2011	35,000	36,312	71,312
2012	40,000	34,690	74,690
2013	40,000	32,930	72,930
2014 - 2018	230,000	132,120	362,120
2019 - 2023	300,000	61,020	361,020
2024 - 2025	70,000	1,890	71,890
Total	\$785,000	\$376,058	\$1,161,058

- B.** During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2007	Additions	Reductions	Balance Outstanding June 30, 2008	Amounts Due in One Year
<b>Governmental Activities:</b>					
General obligation bonds payable	\$815,000	_____	(\$30,000)	\$785,000	\$35,000
Total long-term obligations, governmental activities	\$815,000	_____	(\$30,000)	\$785,000	\$35,000

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)**

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$2,100,055 and an unvoted debt margin of \$32,056.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

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

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:	Indiana Insurance Co.		
Each occurrence		\$1,000,000	
Aggregate		2,000,000	
Building and contents	Indiana Insurance Co.	14,614,958	\$1,000
Auto Liability:	Indiana Insurance Co.		
Comprehensive		1,000,000	
Collision		1,000,000	1,000
Employee Stop Gap Liability:	Indiana Insurance Co.		
Each Occurrence		1,000,000	
Aggregate		2,000,000	

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 10 - RISK MANAGEMENT – (Continued)**

**B. Health Insurance**

The District joined together with other area school districts to form the North Central Ohio Joint Self Insurance Association, a public entity risk pool for eight member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$250,000 for any employee.

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 1.C.). The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 11 - PENSION PLANS – (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligation for the fiscal years ended June 30, 2008, 2007, and 2006, were \$43,762, \$41,922 and \$42,600, respectively; 51.85 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

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

A DB or Combined Plan member with five or more years 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.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 11 - PENSION PLANS – (Continued)**

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligation was also 13 percent. Contribution rates are established by the State Teachers Retirement Board of Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$191,820, \$196,115 and \$202,640, respectively; 84.26 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Retirement Systems of Ohio have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System of Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$14,755 for fiscal year 2008.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)**

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2008, employer contributions to fund health care benefits were 4.18 percent of covered payroll, compared to 3.32 percent of covered payroll for fiscal year 2007. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2008, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2008 fiscal year, District paid \$15,634 to fund health care benefits, including the surcharge.

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

**NOTE 13 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 14 - STATUTORY RESERVES**

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)

**NOTE 14 - STATUTORY RESERVES – (Continued)**

The following cash basis information describes the change in the fund balance reserves for capital improvements during the fiscal year 2008.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2007	\$35,296	
Current year set-aside requirement	60,306	\$60,306
Current year offsets		(75,000)
Qualifying disbursements	<u>(29,171)</u>	<u>(33,452)</u>
Total	<u>\$66,431</u>	<u>(\$48,146)</u>
Cash balance carried forward to FY 2009	<u>\$66,431</u>	

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

A schedule of the restricted assets at June 30, 2008, follows:

Amount restricted for textbooks	<u>\$66,431</u>
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# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Riegel Local School District, Seneca County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 9, 2009, wherein we noted the District prepared its statements on the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

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

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted a certain noncompliance matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 9, 2009.

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

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



**Mary Taylor, CPA**  
Auditor of State

January 9, 2009

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008**

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

**FINDING NUMBER 2008-001**

**Noncompliance Citation**

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

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

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

**Officials' Response**

Officials for the District believe that since the District operates on a cash basis throughout the year, the other comprehensive basis of accounting statements included in this report provide the reader with an accurate depiction of the District's financial activity for the audit period and fairly represent the District's cash basis financial position as of June 30, 2008.

NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Ohio Revised Code §117.38, not following generally accepted account principles	No	Not corrected. Repeated as finding 2008-001.





**Mary Taylor, CPA**  
Auditor of State

**NEW RIEGEL LOCAL SCHOOL DISTRICT**  
**SENECA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

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