

Dave Yost • Auditor of State

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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Dave Yost • 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 New Riegel Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2012, 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 New Riegel Local School District, Seneca County, Ohio, as of June 30, 2012, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Classroom Facilities Maintenance Funds, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2013, 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.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

February 26, 2013

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The management's discussion and analysis of New Riegel Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- The total net assets of the District increased \$213,731 or 8.05% from fiscal year 2011.
- General receipts accounted for \$3,353,372 or 77.02% of total governmental activities receipts. Program specific receipts accounted for \$1,000,384 or 22.98% of total governmental activities receipts.
- The District had \$4,140,025 in disbursements related to governmental activities; \$1,000,384 of these disbursements was offset by program specific charges for services, grants or contributions. General receipts of \$3,353,372 were adequate to provide for these programs.
- The District's major funds are the general fund and the classroom facilities maintenance fund. The general fund, the District's largest major fund, had total receipts of \$3,786,773 in 2012. The disbursements and other financing uses of the general fund, totaled \$3,507,846 in 2012. The general fund's balance increased \$278,927 or 14.51% from 2011 to 2012.
- The classroom facilities maintenance fund had total receipts of \$29,474 in 2012. The disbursements of the classroom facilities maintenance fund, totaled \$233 in 2012. The classroom facilities maintenance fund's balance increased \$29,241 or 11.12% from 2011 to 2012.

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 is by far the most significant fund.

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, 2012
UNAUDITED
(Continued)**

Essentially, the only assets reported on this strictly cash receipts 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 2012, within the limitations of the cash basis of accounting. The Statement of Net Assets presents the cash balances and investments of the governmental type activities of the District at the 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 in 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 the 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 the classroom facilities maintenance 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 the year-end available for spending in future periods. The governmental fund financial 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 a single column.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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 own 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 2012 and 2011.

	Net Assets	
	Governmental Activities	Governmental Activities
	2012	2011
	<hr/>	<hr/>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 2,867,204	\$ 2,653,382
Cash with fiscal agent	8	99
	<hr/>	<hr/>
Total assets	<u>\$ 2,867,212</u>	<u>\$ 2,653,481</u>
<u>Net Assets</u>		
Restricted	\$ 665,723	\$ 788,001
Unrestricted	<u>2,201,489</u>	<u>1,865,480</u>
	<hr/>	<hr/>
Total net assets	<u>\$ 2,867,212</u>	<u>\$ 2,653,481</u>

The total net assets of the District increased \$213,731, which represents an 8.05% increase from fiscal year 2011. The balance of government-wide unrestricted net assets of \$2,201,489 may be used to meet the government'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, 2012
UNAUDITED
(Continued)**

The table below shows the changes in net assets for fiscal years 2012 and 2011.

	Change in Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
Receipts:		
Program receipts:		
Charges for services and sales	\$ 616,991	\$ 585,127
Operating grants and contributions	383,393	683,795
	<u>1,000,384</u>	<u>1,268,922</u>
Total program receipts		
General receipts:		
Property taxes	804,212	781,237
Income tax	627,918	599,322
Unrestricted grants	1,875,254	1,682,958
Premium on bonds		46,798
Sale of bonds		679,999
Investment earnings	13,115	17,789
Other	32,873	28,578
	<u>3,353,372</u>	<u>3,836,681</u>
Total general receipts		
Total receipts	<u>\$ 4,353,756</u>	<u>\$ 5,105,603</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

	Change in Net Assets (Continued)	
	Governmental Activities	Governmental Activities
	2012	2011
Disbursements:		
Instruction:		
Regular	\$ 1,929,383	\$ 1,837,253
Special	328,790	387,271
Vocational	25,400	30,717
Support services:		
Pupil	93,882	90,104
Instructional staff	114,120	89,440
Board of education	30,949	30,614
Administration	401,999	388,735
Fiscal	186,431	210,443
Operations and maintenance	340,009	343,943
Pupil transportation	240,787	163,695
Food service operations	164,881	155,971
Extracurricular	169,517	188,486
Facilities acquisition and construction	42,462	13,859
Debt service:		
Principal retirement	55,000	35,000
Interest and fiscal charges	16,415	25,928
Bond issuance costs		28,333
Payment to refunded bond escrow		698,464
Total disbursements	4,140,025	4,718,256
Change in net assets	213,731	387,347
Net assets at beginning of year	2,653,481	2,266,134
Net assets at end of year	\$ 2,867,212	\$ 2,653,481

Governmental Activities

Governmental net assets increased by \$213,731 in 2012 from 2011. Total governmental disbursements of \$4,140,025 were offset by program receipts of \$1,000,384 and general receipts of \$3,353,372. Program receipts supported 24.16% 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 75.97% of total governmental receipts. Real estate property is reappraised every six years.

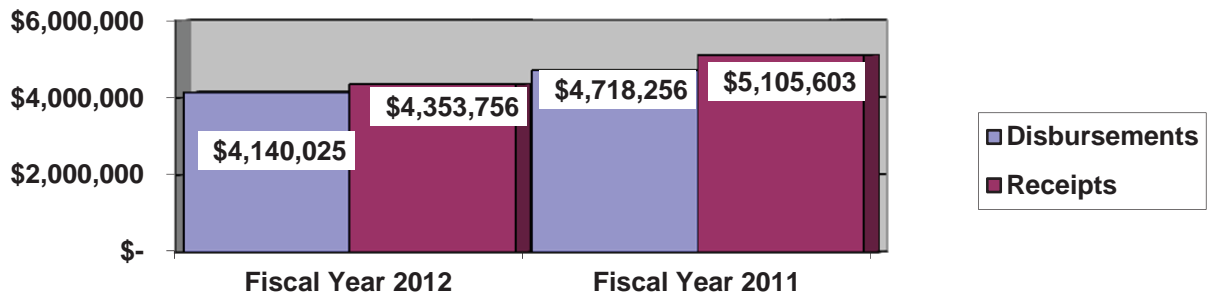
The largest disbursement of the District is for instructional programs. Instructional disbursements totaled \$2,283,573 or 55.16% of total governmental disbursements for fiscal year 2012.

NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2012 and 2011.

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.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

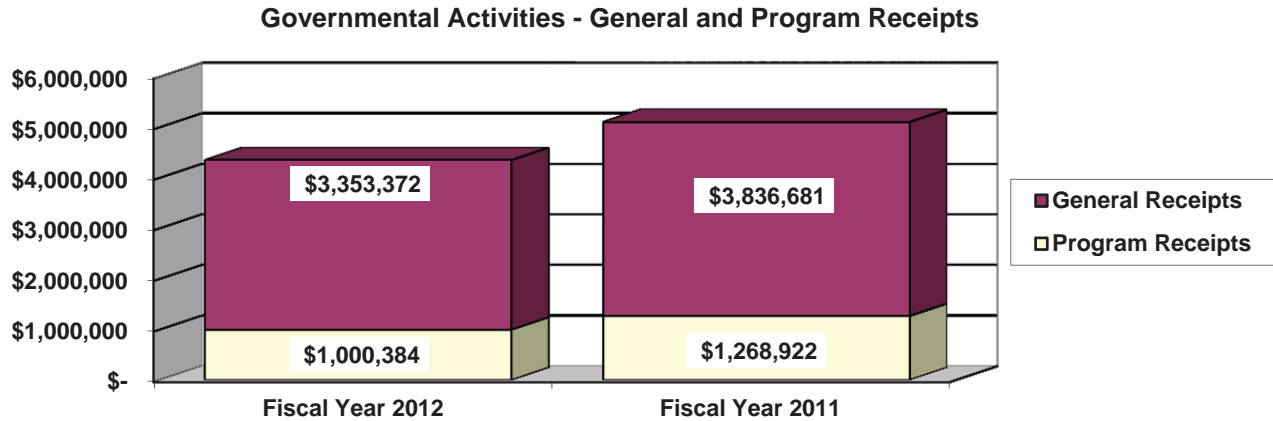
	Governmental Activities			
	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Disbursements:				
Instruction:				
Regular	\$ 1,929,383	\$ 1,509,299	\$ 1,837,253	\$ 1,408,451
Special	328,790	24,801	387,271	41,829
Vocational	25,400	24,799	30,717	30,116
Support services:				
Pupil	93,882	82,192	90,104	71,816
Instructional staff	114,120	101,839	89,440	87,495
Board of education	30,949	30,949	30,614	21,189
Administration	401,999	401,957	388,735	388,482
Fiscal	186,431	186,431	210,443	210,443
Operations and maintenance	340,009	328,933	343,943	200,729
Pupil transportation	240,787	231,489	163,695	67,396
Food service operations	164,881	7,310	155,971	1,591
Extracurricular	169,517	95,765	188,486	118,213
Facilities acquisition and construction	42,462	42,462	13,859	13,859
Debt service:				
Principal retirement	55,000	55,000	35,000	35,000
Interest and fiscal charges	16,415	16,415	25,928	25,928
Payment to refunded bond escrow			28,333	28,333
Bond issuance costs			698,464	698,464
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 4,140,025</u>	<u>\$ 3,139,641</u>	<u>\$ 4,718,256</u>	<u>\$ 3,449,334</u>

The dependence upon general receipts for instructional activities is apparent; with 68.27% of disbursements supported through taxes and other general receipts during 2012. For all governmental activities, general receipts support is 75.84%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, are by far the primary support of the District's students.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities receipts for fiscal year 2012 and 2011.



The District's Funds

The District's governmental funds reported a combined fund cash balance of \$2,867,212, which is \$213,731 above last year's total of \$2,653,481. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2012 and June 30, 2011, for all major and nonmajor governmental funds.

	<u>Fund Balance June 30, 2012</u>	<u>Fund Balance June 30, 2011</u>	<u>Increase/ (Decrease)</u>
General	\$ 2,201,489	\$ 1,922,562	\$ 278,927
Classroom facilities maintenance fund	292,220	262,979	29,241
Other governmental funds	373,503	467,940	(94,437)
Total	<u><u>\$ 2,867,212</u></u>	<u><u>\$ 2,653,481</u></u>	<u><u>\$ 213,731</u></u>

General Fund

The general fund, the District's largest major fund, had total receipts of \$3,786,773 in 2012. The disbursements and other financing uses of the general fund, totaled \$3,507,846 in 2012. The general fund's balance increased \$278,927 or 14.51% from 2011 to 2012.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

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

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Percentage Change</u>
<u>Receipts:</u>			
Taxes	\$ 1,354,626	\$ 1,293,200	4.75 %
Tuition	408,489	376,384	8.53 %
Earnings on investments	11,889	16,156	(26.41) %
Other local revenues	69,151	65,823	5.06 %
Intergovernmental - State	1,942,618	1,842,071	5.46 %
Total	<u><u>\$ 3,786,773</u></u>	<u><u>\$ 3,593,634</u></u>	5.37 %

Earnings on investments decreased due to lower interest earnings on investments. During 2012, tuition receipts increased \$32,105 or 8.53% due to the increase in the number of out of district students. All other revenue remained comparable to 2011.

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

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Percentage Change</u>
<u>Disbursements:</u>			
Instruction	\$ 2,047,906	\$ 1,979,820	3.44 %
Support services	1,273,765	1,129,134	12.81 %
Extracurricular	111,175	120,842	(8.00) %
Total	<u><u>\$ 3,432,846</u></u>	<u><u>\$ 3,229,796</u></u>	6.29 %

Support services increased \$144,631 or 12.81% due to an increase in operations and maintenance expenditures. All other disbursements remained comparable to 2011 with the overall increase of \$58,419 due in part to increases in wages and benefit costs.

Classroom Facilities Maintenance Fund

The classroom facilities maintenance fund had total receipts of \$29,474 in 2012. The disbursements of the classroom facilities maintenance fund, totaled \$233 in 2012. The classroom facilities maintenance fund's balance increased \$29,241 or 11.12% from 2011 to 2012.

Budgeting Highlights - General Fund

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

For the general fund, actual receipts of \$3,777,009 were higher than final budgeted receipts by \$92,568. The final budgeted disbursements and other financing uses of \$3,518,092 were lower than original budgeted disbursements and other financing uses of \$3,577,830. The actual budgeted disbursements and other financing uses of \$3,518,092 were \$179,738 lower 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, 2012
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic 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, 2012 and 2011:

	Governmental Activities 2012	Governmental Activities 2011
2011 Series bond refunding	<u>\$ 629,589</u>	<u>\$ 682,085</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.

The District's local funding includes a continuing .75% income tax and an additional 5 year, .75% income tax. The additional .75% income tax became effective January 1, 2007. A renewal levy for this .75% income was approved by the voters on November 2, 2010 which will expire December 31, 2016. The District's real estate tax effective rate is 20 mils. This support from our local community is imperative because of stagnant state funding.

Formula ADM decreased from 441 in fiscal year 2003 to 349 in fiscal year 2012. This decrease in resident enrollment caused the District to be funded under state funding guarantees from fiscal year 2004 through fiscal year 2010. In fiscal year 2012, public schools in Ohio were funded using the Bridge formula (Ohio's fiscal year 2012 State budget).

Based on Governor Kasich's Bridge state funding formula, the District will receive \$1,840,775 in foundation funding. This represents a \$26,079 decrease in total formula plus ARRA funding from fiscal year 2011.

The District continues to strive to best utilize the resources available to them. 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 student's desired needs over the next several years. It is always our goal to provide "a quality education in a small school setting".

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

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.

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**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,867,204
Cash with fiscal agent	8
Total assets	\$ 2,867,212
Net Assets:	
Restricted for:	
Locally funded programs	\$ 2,570
Federally funded programs	1,839
Student activities	15,447
Capital projects	110,036
Classroom facilities maintenance	292,220
Debt service	226,084
Other purposes	17,527
Unrestricted	2,201,489
Total net assets	\$ 2,867,212

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, 2012**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 1,929,383	\$ 315,035	\$ 105,049	\$ (1,509,299)
Special	328,790	110,192	193,797	(24,801)
Vocational	25,400		601	(24,799)
Support services:				
Pupil	93,882		11,690	(82,192)
Instructional staff	114,120		12,281	(101,839)
Board of education	30,949			(30,949)
Administration	401,999		42	(401,957)
Fiscal	186,431			(186,431)
Operations and maintenance	340,009	7,476	3,600	(328,933)
Pupil transportation	240,787	8,397	901	(231,489)
Operation of non-instructional services:				
Food service operations	164,881	106,392	51,179	(7,310)
Extracurricular activities	169,517	69,499	4,253	(95,765)
Facilities acquisition and construction	42,462			(42,462)
Debt service:				
Principal retirement	55,000			(55,000)
Interest and fiscal charges	16,415			(16,415)
Total governmental activities	\$ 4,140,025	\$ 616,991	\$ 383,393	(3,139,641)

General Receipts:

Property taxes levied for:	
General purposes	726,708
Special revenue	14,009
Debt service	63,495
School district income tax	627,918
Grants and entitlements not restricted to specific programs	1,875,254
Investment earnings	13,115
Miscellaneous	32,873
Total general receipts	3,353,372
Change in net assets	213,731
Net assets at beginning of year	2,653,481
Net assets at end of year	\$ 2,867,212

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, 2012**

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,201,489	\$ 292,220	\$ 373,495	\$ 2,867,204
Cash with fiscal agent			8	8
Total assets	\$ 2,201,489	\$ 292,220	\$ 373,503	\$ 2,867,212
Fund Balances:				
Restricted:				
Debt service			\$ 226,084	\$ 226,084
Classroom facilities maintenance		\$ 292,220		292,220
Food service operations			17,527	17,527
Extracurricular			15,447	15,447
Special education			1,831	1,831
Other purposes			2,578	2,578
Committed:				
Student and staff support	\$ 23,298			23,298
Termination benefits	28,034			28,034
Assigned:				
Student instruction	1,876			1,876
Student and staff support	4,897			4,897
Capital improvements			110,036	110,036
Public school support	1,742			1,742
Health insurance reserve	144,206			144,206
Unassigned	1,997,436			1,997,436
Total fund balances	\$ 2,201,489	\$ 292,220	\$ 373,503	\$ 2,867,212

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, 2012**

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
From local sources:				
Property taxes	\$ 726,708	\$ 14,009	\$ 63,495	\$ 804,212
Income taxes	627,918			627,918
Tuition	408,489			408,489
Charges for services			106,392	106,392
Earnings on investments	11,889	1,226	50	13,165
Extracurricular	12,064		65,832	77,896
Classroom materials and fees	16,738			16,738
Contributions and donations	416		4,875	5,291
Rental income	7,476			7,476
Other local revenues	32,457			32,457
Intergovernmental - intermediate			5,225	5,225
Intergovernmental - state	1,942,618	14,239	13,874	1,970,731
Intergovernmental - federal			277,766	277,766
Total receipts	<u>3,786,773</u>	<u>29,474</u>	<u>537,509</u>	<u>4,353,756</u>
Disbursements:				
Current:				
Instruction:				
Regular	1,802,758		126,625	1,929,383
Special	219,748		109,042	328,790
Vocational	25,400			25,400
Support services:				
Pupil	82,188		11,694	93,882
Instructional staff	101,487		12,633	114,120
Board of education	30,949			30,949
Administration	401,035		964	401,999
Fiscal	185,124	233	1,074	186,431
Operations and maintenance	314,456		25,553	340,009
Pupil transportation	158,526		82,261	240,787
Operation of non-instructional services:				
Food service operations			164,881	164,881
Extracurricular activities	111,175		58,342	169,517
Facilities acquisition and construction			42,462	42,462
Debt service:				
Principal retirement			55,000	55,000
Interest and fiscal charges			16,415	16,415
Total disbursements	<u>3,432,846</u>	<u>233</u>	<u>706,946</u>	<u>4,140,025</u>
Excess (deficiency) of receipts over (under) disbursements	<u>353,927</u>	<u>29,241</u>	<u>(169,437)</u>	<u>213,731</u>
Other financing sources (uses):				
Transfers in			75,000	75,000
Transfers out	(75,000)			(75,000)
Total other financing sources (uses)	<u>(75,000)</u>		<u>75,000</u>	
Net change in fund balances	278,927	29,241	(94,437)	213,731
Fund balances at beginning of year	1,922,562	262,979	467,940	2,653,481
Fund balances at end of year	<u>\$ 2,201,489</u>	<u>\$ 292,220</u>	<u>\$ 373,503</u>	<u>\$ 2,867,212</u>

See accompanying notes to the basic financial statements

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Property taxes	\$ 739,700	\$ 739,700	\$ 726,708	\$ (12,992)
Income taxes	592,500	592,500	627,918	35,418
Tuition	386,000	386,000	408,489	22,489
Earnings on investments	16,000	16,000	11,889	(4,111)
Extracurricular	2,500	2,500	2,500	
Classroom materials and fees	18,000	18,000	16,738	(1,262)
Rental income	7,000	7,000	7,476	476
Contributions and donations	500	500	216	(284)
Other local revenues	28,400	28,400	32,457	4,057
Intergovernmental - State	1,893,841	1,893,841	1,942,618	48,777
Total receipts	<u>3,684,441</u>	<u>3,684,441</u>	<u>3,777,009</u>	<u>92,568</u>
Disbursements:				
Current:				
Instruction:				
Regular	1,756,659	1,891,659	1,786,013	105,646
Special	239,931	224,931	219,748	5,183
Vocational	34,300	34,300	25,400	8,900
Support services:				
Pupil	84,672	84,672	82,188	2,484
Instructional staff	118,037	118,037	101,728	16,309
Board of education	32,350	32,350	30,949	1,401
Administration	418,860	418,860	401,035	17,825
Fiscal	194,694	194,694	185,874	8,820
Operations and maintenance	346,272	346,272	341,659	4,613
Pupil transportation	158,030	158,030	158,526	(496)
Extracurricular activities	113,525	113,525	99,567	13,958
Total disbursements	<u>3,497,330</u>	<u>3,617,330</u>	<u>3,432,687</u>	<u>184,643</u>
Excess of receipts over disbursements	<u>187,111</u>	<u>67,111</u>	<u>344,322</u>	<u>277,211</u>
Other financing uses:				
Transfers out	(80,500)	(80,500)	(85,405)	(4,905)
Net change in fund balance	106,611	(13,389)	258,917	272,306
Fund balance at beginning of year	1,870,395	1,870,395	1,870,395	
Prior year encumbrances appropriated	12,330	12,330	12,330	
Fund balance at end of year	<u>\$ 1,989,336</u>	<u>\$ 1,869,336</u>	<u>\$ 2,141,642</u>	<u>\$ 272,306</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)
CLASSROOM FACILITIES AND MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Property taxes	\$ 5,561	\$ 5,561	\$ 14,009	\$ 8,448
Earnings on investments	487	487	1,226	739
Intergovernmental - State	<u>5,652</u>	<u>5,652</u>	<u>14,239</u>	<u>8,587</u>
Total receipts	<u>11,700</u>	<u>11,700</u>	<u>29,474</u>	<u>17,774</u>
Disbursements:				
Current:				
Support services:				
Fiscal	400	400	233	167
Operations and maintenance	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Total disbursements	<u>20,400</u>	<u>20,400</u>	<u>233</u>	<u>20,167</u>
Net change in fund balance	(8,700)	(8,700)	29,241	37,941
Fund balance at beginning of year	<u>262,979</u>	<u>262,979</u>	<u>262,979</u>	
Fund balance at end of year	<u>\$ 254,279</u>	<u>\$ 254,279</u>	<u>\$ 292,220</u>	<u>\$ 37,941</u>

See accompanying notes to the basic financial statements

NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
JUNE 30, 2012

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 37,936
Net assets:	
Held for student activities	\$ 36,185
Held for employee benefits	1,751
Total net assets	\$ 37,936

See accompanying notes to the basic financial statements

NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Deductions:	
Scholarships awarded	\$ 502
Change in net assets	(502)
Net assets at beginning of year	<u>\$ 502</u>
Net assets at end of year	<u><u>502</u></u>

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, 2012**

NOTE 1 - REPORTING ENTITY

New Riegel Local School District (the District) is organized under Article VI, Section 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 approximately 30 square miles. It is located in Seneca County and includes the entire Village of New Riegel. The District is the 653rd largest in the State of Ohio (among 918 school districts) in terms of enrollment. It is staffed by 22 classified employees, 32 certified teaching personnel and 3 administrative employees who provide services to 430 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, 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, 2012
(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 Technology and Career Centers

The Vanguard-Sentinel Technology and 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 Technology and 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 \$7,440 during fiscal year 2012 for natural gas. Financial information is available from the North Point 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, 2012
(Continued)**

NOTE 1 - REPORTING ENTITY - (Continued)

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.B. 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 in Note 2.A, these financial statements are presented on the cash basis of accounting. The 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 government-wide financial statements and the fund financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

A. Basis of Accounting

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

As a result of the use of the 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 expenses for goods and services received, but not yet paid, and accrued expenses 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.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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 and report all financial resources not accounted for and reported 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.

Classroom Facilities Maintenance Fund -The classroom facilities maintenance fund is used to account for the proceeds of a levy for the maintenance of facilities.

Other governmental funds of the District account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

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

C. Basis of Presentation

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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.

During fiscal year 2012, 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 repurchase agreements are reported at cost.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

The District has invested funds in the STAR Ohio during fiscal year 2012. 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, 2012.

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 2012 amounted to \$11,889, which includes \$2,273 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 assets when limitations on their use change the 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.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements 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 Cash Balance

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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 disbursements to the funds that initially paid for them are not presented on the basic financial statements.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Compliance

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a 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 and the classroom facilities and maintenance fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than a reservation of fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the budgetary basis statement to the cash basis statement for the general fund and classroom facilities and maintenance fund:

Net Change in Fund Balance

	<u>General fund</u>	<u>Classroom Facilities Maintenance</u>
Budget basis	\$ 258,917	\$ 29,241
Funds budgeted elsewhere **	(10,061)	
Adjustment for encumbrances	30,071	
Cash basis	<u>\$ 278,927</u>	<u>\$ 29,241</u>

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the public school support fund and termination benefits 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.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligation described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstance, corporate debt interest rate in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon

**NEW RIEGEL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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

A. Cash with Fiscal Agent

The District had \$8 in cash held by the North Central Ohio Educational Service Center which is included on the balance sheet as "Cash with fiscal agent". The Educational Service Center holds this flow through grant money for the District along with that of other school districts and therefore is not included in the cash balances below.

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$2,735,408. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$2,281,595 of the District's bank balance of \$2,781,595 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2012, 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>\$ 169,732</u>	<u>\$ 169,732</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.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard and Poor's has assigned STAR Ohio an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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, 2012:

<u>Investment type</u>	<u>Cost</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 169,732</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,735,408
Investments	169,732
Cash with fiscal agent	<u>8</u>
Total	<u>\$ 2,905,148</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,867,212
Agency funds	<u>37,936</u>
Total	<u>\$ 2,905,148</u>

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund statements:

Transfers to nonmajor governmental funds from:	<u>Amount</u>
General fund	<u>\$ 75,000</u>

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, 2012
(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 property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 35,512,260	94.78	\$ 38,767,280	95.02
Public utility personal	1,955,760	5.22	2,033,830	4.98
Total	<u>\$ 37,468,020</u>	<u>100.00</u>	<u>\$ 40,801,110</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 40.50		\$ 40.50	

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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. The levy was renewed by the voters on November 2, 2011 and will expire December 31, 2016. 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 2012 equaled \$627,918.

NOTE 9 - LONG-TERM OBLIGATIONS

- A. *Classroom Facilities Improvement Refunding Bonds - Series 2010* - On December 22, 2010, the District issued series 2010 classroom facilities improvement refunding bonds to refund the callable portion of the series 2001 general obligation bonds (principal \$680,000). Issuance proceeds totaling \$698,464 were deposited with an escrow agent.

This refunding issue is comprised of both current interest term bonds and capital appreciation bonds, in the amount of \$645,000 and \$34,999, respectively. The interest rate on the term bonds range from 1.20% to 3.80%. The bonds were issued for a thirteen year period, with final maturity during fiscal year 2024. The bonds will be retired through the debt service fund (a nonmajor governmental fund). The capital appreciation bonds mature December 1, 2019 and 2020 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. Both capital appreciation bonds bear an approximate compounding interest rate of 13.51%. The accreted value at maturity for both capital appreciation bonds is \$60,000 each.

The \$110,000 current interest term bonds maturing on December 1, 2012, shall bear interest at the rate of 1.20% per year and be subject to mandatory sinking fund redemption on December 1, 2011 (Mandatory Redemption Date), in the principal amount of \$55,000 (with the balance of \$55,000 to be paid at maturity on December 1, 2012).

The \$105,000 current interest term bonds maturing on December 1, 2014, shall bear interest at the rate of 1.80% per year and be subject to mandatory sinking fund redemption on December 1, 2013 (Mandatory Redemption Date), in the principal amount of \$50,000 (with the balance of \$55,000 to be paid at maturity on December 1, 2014).

The \$115,000 current interest term bonds maturing on December 1, 2016, shall bear interest at the rate of 2.30% per year and be subject to mandatory sinking fund redemption on December 1, 2015 (Mandatory Redemption Date), in the principal amount of \$55,000 (with the balance of \$60,000 to be paid at maturity on December 1, 2016).

The \$120,000 current interest term bonds maturing on December 1, 2018, shall bear interest at the rate of 2.90% per year and be subject to mandatory sinking fund redemption on December 1, 2017 (Mandatory Redemption Date), in the principal amount of \$60,000 (with the balance of \$60,000 to be paid at maturity on December 1, 2018).

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The \$195,000 current interest term bonds maturing on December 1, 2023, shall bear interest at the rate of 3.80% per year and be subject to mandatory redemption requirements on December 1 in the years (Mandatory Redemption Dates) and in the principal amounts as follows (with the balance of \$65,000 to be paid at maturity on December 1, 2023).

<u>Year (December 1)</u>	<u>Amount</u>
2021	\$ 65,000
2022	65,000

Principal and interest requirements to retire the classroom facilities improvement refunding bonds at June 30, 2012 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Classroom Facilities Improvement Refunding Bonds - Series 2010</u>					
	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 55,000	\$ 15,755	\$ 70,755			
2014	50,000	14,975	64,975			
2015	55,000	14,030	69,030			
2016	55,000	12,903	67,903			
2017	60,000	11,580	71,580			
2018 - 2022	185,000	39,295	224,295	\$ 34,999	\$ 85,001	\$ 120,000
2023 - 2024	130,000	4,940	134,940			
Total	\$ 590,000	\$ 113,478	\$ 703,478	\$ 34,999	\$ 85,001	\$ 120,000

B. During fiscal year 2012, the following activity occurred in governmental activities long-term obligations:

	<u>Balance Outstanding June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding June 30, 2012</u>	<u>Amounts Due in One Year</u>
Governmental activities:					
Classroom facilities improvement refunding bonds, series 2010					
Current interest term bonds	\$ 645,000		\$ (55,000)	\$ 590,000	\$ 55,000
Capital appreciation bonds (CABs)	34,999			34,999	
Accreted interest on CAB's	2,086	\$ 2,504		4,590	
Total long-term obligations, governmental activities	\$ 682,085	\$ 2,504	\$ (55,000)	\$ 629,589	\$ 55,000

**NEW RIEGEL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012, are a voted debt margin of \$3,273,185 (including available funds of \$226,084) and an unvoted debt margin of \$40,801.

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:	Phelan Insurance		
Each occurrence		\$ 1,000,000	
Aggregate		2,000,000	
Building and contents	Phelan Insurance	21,793,248	\$1,000
Fleet:	Phelan Insurance		
Comprehensive		1,000,000	
Collision		1,000,000	1,000
Umbrella:	Phelan Insurance		
Each Occurrence		2,000,000	
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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 10 - RISK MANAGEMENT – (Continued)

B. 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. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Self-Insurance

The District is self-insured for health, vision and dental. The District pays a portion of the health benefits’ high deductible plan for employees. The District is insured through Anthem and ClaimLinx serves as the third party administrator. The vision and dental are fully insured by the District. The District transfers money from the General Fund to a General Fund-Health Insurance Set Aside to pay claims. A comparison of Self-Insurance Set Aside cash and investments to the actuarially-measured liability as of September 30 is as follows:

	FY2012
Cash and investments	\$ 144,206
Actuarial liabilities	\$ 22,264

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS’ Ohio website, www.ohsers.org, under “Employers/Audit Resources”.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

Funding Policy - 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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$56,379, \$52,027 and \$54,851, respectively; 66.11 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org, under "Publications".

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2012, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$219,853, \$215,397 and \$207,628, respectively; 83.50 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, 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

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**NEW RIEGEL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$9,182, \$12,844 and \$8,370, respectively; 66.11 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$2,442, \$3,348 and \$3,262, respectively; 66.11 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)

2010 were \$16,912, \$16,569 and \$15,971, respectively; 83.50 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2011	
Current year set-aside requirement	\$ 66,888
Current year qualifying expenditures	
Current year offsets	<u>(75,000)</u>
Total	<u>\$ (8,112)</u>
Balance carried forward to fiscal year 2013	<u> </u>
Set-aside reserve balance June 30, 2012	<u> </u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 15 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	Year-End
<u>Fund Type</u>	<u>Encumbrances</u>
General fund	\$ 30,135
Other nonmajor governmental	21,662
Total	<u>\$ 51,797</u>



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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 New Riegel Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2013, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 26, 2013.

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 management, the audit committee, the Board of Education and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

February 26, 2013

NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2012

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

FINDING NUMBER 2012-001

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 (B), which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles in the United States of America.

The District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, 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 statements in accordance with accounting principles generally accepted in the United States of America.

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 of the audit period and fairly represent the District's cash basis financial position as of June 30, 2012.

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NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Administrative Code §117-2-03(B), for not following generally accepted accounting principles.	No	Repeated as Finding 2012-001 in this report.

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NEW RIEGEL LOCAL SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 19, 2013