

**Mary Taylor, CPA**  
Auditor of State



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountant's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund .....	19
Statement of Fiduciary Net Assets - Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	21
Notes to the Basic Financial Statements .....	22
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> . ....	47

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Riegel Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2005, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Riegel Local School District, Seneca County, Ohio, as of June 30, 2005, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, the District restated its General Fund and Other Governmental Fund Balances to account for the implementation of Governmental Accounting Standards Board Technical Bulletin 2004-2, Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

February 8, 2007

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The management's discussion and analysis of the New Riegel Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$199,323 which represents a 1.59% decrease from 2004.
- General revenues accounted for \$3,114,094 in revenue. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$562,801 or 15.31%. Total revenues of the District were \$3,676,895.
- The District had \$3,876,218 in expenses related to governmental activities; \$562,801 of these expenses was offset by program specific charges for services, and operating grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$3,114,094 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and permanent improvement fund. The general fund had \$3,101,993 in revenues and \$3,216,542 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance decreased \$114,549 from \$415,058 to \$300,509.
- The debt service fund had \$136,113 in revenues and \$138,166 in expenditures. During fiscal year 2005, the debt service fund's fund balance decreased \$2,053 from \$63,642 to \$61,589.
- The permanent improvement fund had \$75,000 in transfers in and \$20,198 in expenditures. During fiscal year 2005, the permanent improvement fund's fund balance increased \$54,802 from \$177,769 to \$232,571.

**Using these Basic Financial Statements**

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

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

**Fund Financial Statements**

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

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term 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 spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for a scholarship program. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**Notes to the Basic Financial Statements**

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

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities 2005	Governmental Activities 2004
<b><u>Assets</u></b>		
Current and other assets	\$ 1,964,855	\$ 1,985,934
Capital assets, net	<u>12,473,736</u>	<u>12,752,591</u>
Total assets	<u>14,438,591</u>	<u>14,738,525</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,109,712	1,051,255
Long-term liabilities	<u>1,013,398</u>	<u>1,172,466</u>
Total liabilities	<u>2,123,110</u>	<u>2,223,721</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	11,598,736	11,787,591
Restricted	395,466	429,385
Unrestricted	<u>321,279</u>	<u>297,828</u>
Total net assets	<u>\$ 12,315,481</u>	<u>\$ 12,514,804</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$12,315,481. Of this total, \$321,279 is unrestricted in use.

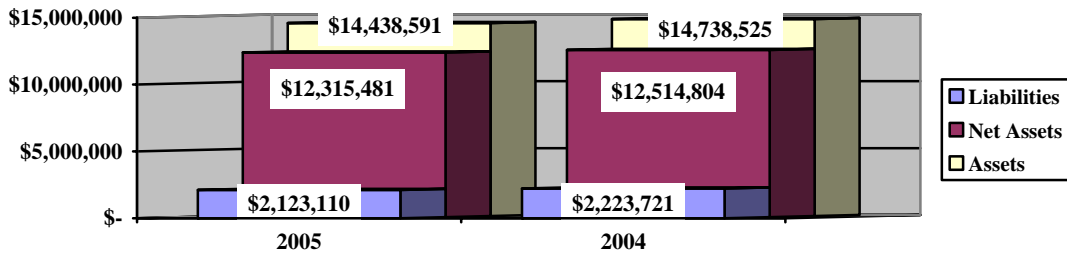
**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

At year-end, capital assets represented 86.39% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$11,598,736. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$395,466, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$321,279 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2005 and 2004.

	<b>Change in Net Assets</b>	
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 209,440	\$ 183,081
Operating grants and contributions	353,361	221,143
Capital grants and contributions		10,175
General revenues:		
Property taxes	767,152	797,520
Income taxes	265,922	250,809
Grants and entitlements	2,052,075	2,177,601
Investment earnings	20,677	19,880
Miscellaneous	<u>8,268</u>	<u>40,564</u>
 Total revenues	 <u>3,676,895</u>	 <u>3,700,773</u>

(continued)

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

	<b>Change in Net Assets</b>	
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 1,788,797	\$ 1,767,182
Special	338,497	330,267
Vocational	71,784	72,735
Support services:		
Pupil	97,588	114,577
Instructional staff	140,785	87,534
Board of education	41,888	13,666
Administration	287,700	290,281
Fiscal	159,562	133,233
Operations and maintenance	379,983	652,020
Pupil transportation	149,471	140,559
Food service operations	127,479	124,363
Extracurricular activities	247,809	214,149
Interest and fiscal charges	44,875	47,167
Refund of Ohio School Facilities Grant		424,974
Total expenses	<u>3,876,218</u>	<u>4,412,707</u>
Change in net assets	(199,323)	(711,934)
Net assets at beginning of year	<u>12,514,804</u>	<u>13,226,738</u>
Net assets at end of year	<u>\$ 12,315,481</u>	<u>\$ 12,514,804</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$199,323. Total governmental expenses of \$3,876,218 were offset by program revenues of \$562,801 and general revenues of \$3,114,094. Program revenues supported 14.52% of the total governmental expenses.

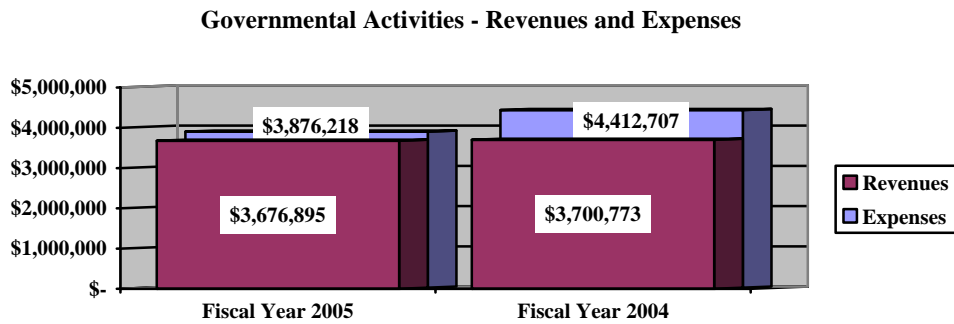
The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 83.91% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$2,199,078 or 56.73% of total governmental expenses for fiscal 2005.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.



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

**Governmental Activities**

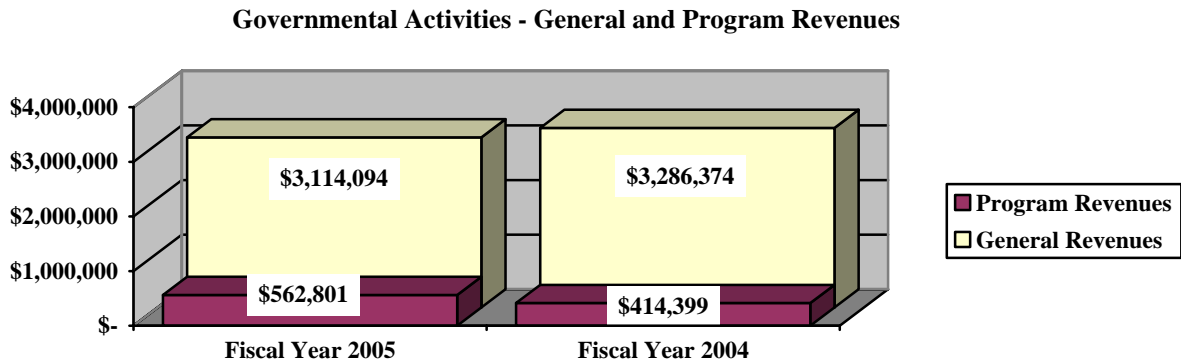
	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 1,788,797	\$ 1,738,677	\$ 1,767,182	\$ 1,672,013
Special	338,497	122,125	330,267	233,716
Vocational	71,784	59,842	72,735	72,735
Support services:				
Pupil	97,588	56,927	114,577	99,538
Instructional staff	140,785	140,289	87,534	76,903
Board of education	41,888	38,819	13,666	13,666
Administration	287,700	287,700	290,281	289,605
Fiscal	159,562	157,664	133,233	131,079
Operations and maintenance	379,983	363,591	652,020	644,426
Pupil transportation	149,471	137,251	140,559	135,165
Food service operations	127,479	9,911	124,363	9,890
Extracurricular activities	247,809	155,746	214,149	147,431
Interest and fiscal charges	44,875	44,875	47,167	47,167
Refund of Ohio School Facilities Grant			424,974	424,974
<b>Total expenses</b>	<u><u>\$ 3,876,218</u></u>	<u><u>\$ 3,313,417</u></u>	<u><u>\$ 4,412,707</u></u>	<u><u>\$ 3,998,308</u></u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 87.34% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.48%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$801,083, which is lower than last year's total of \$891,273. The June 30, 2004, fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase (Decrease)	Percentage Change
General	\$ 300,509	\$ 415,058	\$ (114,549)	(27.60) %
Debt Service	61,589	63,642	(2,053)	(3.23) %
Permanent Improvement	232,571	177,769	54,802	30.83 %
Other Governmental	<u>206,414</u>	<u>234,804</u>	<u>(28,390)</u>	(12.09) %
Total	<u>\$ 801,083</u>	<u>\$ 891,273</u>	<u>\$ (90,190)</u>	(10.12) %

**General Fund**

The District's general fund balance decreased \$114,549 (after a restatement to the June 30, 2004, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to an increase in payroll expenditures and an increase in expenses related to open enrollment. Expenditures exceeded revenues for fiscal year 2005 by \$32,102, which was attributed to a decrease in tax revenues and an increase in payroll expenditures and an increase in open enrollment expenses. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 879,126	\$ 903,673	\$ (24,547)	(2.72) %
Earnings on investments	17,502	22,850	(5,348)	(23.40) %
Intergovernmental	2,169,133	2,134,492	34,641	1.62 %
Other revenues	<u>36,232</u>	<u>6,899</u>	<u>29,333</u>	425.18 %
Total	<u>\$ 3,101,993</u>	<u>\$ 3,067,914</u>	<u>\$ 34,079</u>	1.11 %
<b><u>Expenditures</u></b>				
Instruction	\$ 1,873,562	\$ 1,778,405	\$ 95,157	5.35 %
Support services	1,168,155	1,153,506	14,649	1.27 %
Extracurricular activities	92,378	84,966	7,412	8.72 %
Debt service	<u>                    </u>	<u>13,706</u>	<u>(13,706)</u>	(100.00) %
Total	<u>\$ 3,134,095</u>	<u>\$ 3,030,583</u>	<u>\$ 103,512</u>	3.42 %

While the decrease in earnings on investments and the increase in other revenues appear significant on a percentage basis they are overall insignificant on a dollar basis. In total, revenues remained consistent with the previous year. Expenditures also remained consistent with the previous year.

**Debt Service Fund**

The debt service fund had \$136,113 in revenues and \$138,166 in expenditures. During fiscal year 2005, the debt service fund's fund balance decreased \$2,053 from \$63,642 to \$61,589.

**Permanent Improvement Fund**

The permanent improvement fund had \$75,000 in transfers in and \$20,198 in expenditures. During fiscal year 2005, the permanent improvement fund's fund balance increased \$54,802 from \$177,769 to \$232,571.

**General Fund Budgeting Highlights**

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

During the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$3,063,200 and final budgeted revenues and other financing sources were \$3,091,821. Actual revenues and other financing sources for fiscal 2005 was \$3,201,425. This represents a \$109,604 increase over final budgeted revenues.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

General fund original appropriations (appropriated expenditures including other financing uses) of \$3,369,679 were lowered to \$3,368,300 in the final budget. The actual budget basis expenditures for fiscal year 2005 totaled \$3,291,819, which was \$76,481 less than the final budget appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2005, the District had \$12,473,736 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2005	2004
Land	\$ 119,305	\$ 119,305
Land improvements	1,416	1,732
Building and improvements	12,088,767	12,348,070
Furniture and equipment	173,553	168,863
Vehicles	90,695	114,621
Total	<u>\$ 12,473,736</u>	<u>\$ 12,752,591</u>

The overall decrease in capital assets of \$278,855 is due to depreciation expense of \$298,514 exceeding capital outlays of \$19,659 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

**Debt Administration**

At June 30, 2005, the District had \$875,000 in general obligation bonds outstanding. Of this total, \$30,000 is due within one year and \$845,000 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2005	2004
General obligation bonds	\$ 875,000	\$ 905,000
Bond anticipation notes		60,000
Total	<u>\$ 875,000</u>	<u>\$ 965,000</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

At June 30, 2005, the District's overall legal debt margin was \$2,144,410 and an unvoted debt margin of \$32,865.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District has carefully managed its General Fund in order to optimize the dollars available for educating its students. However, beginning in FY 04, our district has been, and is projected to continue, deficit spending in each fiscal year. This deficit spending is the reason why the Board of Education has placed an additional .75% income tax levy for five years on the ballot in November 2005.

The district's revenues have increased only slightly over the last few years. Real estate and income tax collections have been fairly stagnant. Slow growth and the lagging economy have been limiting factors on the school district's tax receipts.

The state calculated "cost of educating our students" is a direct result of the average daily membership (ADM) formula. Our declining enrollment is the reason why the "cost of educating our students" has declined from \$2,226,475 in FY 03 to \$2,060,340 this fiscal year (2006). The state's share to educate our students is projected to decrease from \$1,533,731 in FY 03 to \$1,285,529 in FY 10. This decrease per year has an enormous negative impact on the amount of state funding received and consequently, on the financial health of our school district.

Profoundly, the local share of educating our students increases from 31.1% in FY 03 to an estimated 37.0% in FY 10. New Riegel School's decline in enrollment is the single dominant factor in the decrease of state aid and our reliance on state funding guarantees. Because our ADM has declined so significantly we fall under guarantees each year of the forecast. Beginning in FY 04, our district is no longer being funded through the state funding formula, but rather is a "guarantee" district.

House Bill 66 (Ohio 2006-07 budget) eliminates tangible personal property tax on machinery & equipment, inventory, furniture & fixtures and telephone utilities over five years. Through the phase out period, districts will be "held harmless" by way of fixed rate reimbursement. HB 66 created a commercial activity tax (CAT). The proceeds from CAT will fund schools through the established funding formula. This funding only replaces personal property tax. And, in the case of guarantee districts like us, the additional formula funding is lost in the guarantee.

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

Traditionally, our community has been supportive of the school district. This continued support is needed to maintain educational excellence in the district.

**Contacting the District's Financial Management**

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



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2005**

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$	1,048,862
Cash with fiscal agent. . . . .		412
Receivables:		
Taxes . . . . .		886,283
Accounts . . . . .		21
Intergovernmental . . . . .		5,000
Accrued interest . . . . .		4,160
Prepayments . . . . .		14,668
Materials and supplies inventory . . . . .		5,449
Capital assets:		
Land . . . . .		119,305
Depreciable capital assets, net . . . . .		12,354,431
Capital assets, net. . . . .		<u>12,473,736</u>
 Total assets. . . . .		 <u>14,438,591</u>
 <b>Liabilities:</b>		
Accounts payable. . . . .		509
Accrued wages and benefits . . . . .		271,447
Pension obligation payable. . . . .		73,984
Intergovernmental payable . . . . .		4,668
Deferred revenue . . . . .		756,532
Accrued interest payable . . . . .		2,572
Long-term liabilities:		
Due within one year. . . . .		65,470
Due in more than one year . . . . .		947,928
Total liabilities . . . . .		<u>2,123,110</u>
 <b>Net Assets:</b>		
Invested in capital assets, net of related debt. . . . .		11,598,736
Restricted for:		
State funded programs . . . . .		9,741
Federally funded programs. . . . .		412
Capital projects . . . . .		233,055
Classroom facilities maintenance . . . . .		88,444
Debt service. . . . .		63,814
Unrestricted. . . . .		<u>321,279</u>
 Total net assets . . . . .	 \$	 <u><u>12,315,481</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 1,788,797	\$ 17,764	\$ 32,356	\$ (1,738,677)
Special . . . . .	338,497		216,372	(122,125)
Vocational . . . . .	71,784		11,942	(59,842)
Support services:				
Pupil. . . . .	97,588		40,661	(56,927)
Instructional staff . . . . .	140,785		496	(140,289)
Board of education . . . . .	41,888		3,069	(38,819)
Administration. . . . .	287,700			(287,700)
Fiscal. . . . .	159,562		1,898	(157,664)
Operations and maintenance . . .	379,983	7,700	8,692	(363,591)
Pupil transportation. . . . .	149,471		12,220	(137,251)
Operation of non-instructional services:				
Food service operations . . . . .	127,479	94,909	22,659	(9,911)
Extracurricular activities. . . . .	247,809	89,067	2,996	(155,746)
Interest and fiscal charges . . . . .	44,875			(44,875)
<b>Total governmental activities . . . .</b>	<b>\$ 3,876,218</b>	<b>\$ 209,440</b>	<b>\$ 353,361</b>	<b>(3,313,417)</b>
 <b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				629,370
Special revenue . . . . .				13,730
Debt service. . . . .				124,052
School district income tax . . . . .				265,922
Grants and entitlements not restricted to specific programs. . . . .				
Investment earnings . . . . .				20,677
Miscellaneous . . . . .				8,268
<b>Total general revenues. . . . .</b>				<b>3,114,094</b>
Change in net assets . . . . .				(199,323)
<b>Net assets at beginning of year. . . . .</b>				<b>12,514,804</b>
<b>Net assets at end of year . . . . .</b>				<b>\$ 12,315,481</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 467,400	\$ 60,084	\$ 232,571	\$ 244,674	\$ 1,004,729
Cash with fiscal agent . . . . .				412	412
Receivables:					
Taxes . . . . .	741,252	130,497		14,534	886,283
Accounts . . . . .	21				21
Intergovernmental . . . . .	5,000				5,000
Accrued interest . . . . .	4,160				4,160
Prepayments . . . . .	14,668				14,668
Materials and supplies inventory . . . . .	3,580			1,869	5,449
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	44,133				44,133
<b>Total assets . . . . .</b>	<b><u>\$ 1,280,214</u></b>	<b><u>\$ 190,581</u></b>	<b><u>\$ 232,571</u></b>	<b><u>\$ 261,489</u></b>	<b><u>\$ 1,964,855</u></b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 338			\$ 171	\$ 509
Accrued wages and benefits . . . . .	259,800			11,647	271,447
Compensated absences payable . . . . .				23,254	23,254
Pension obligation payable. . . . .	68,549			5,435	73,984
Intergovernmental payable. . . . .	4,466			202	4,668
Deferred revenue. . . . .	646,552	\$ 128,992		14,366	789,910
<b>Total liabilities . . . . .</b>	<b><u>979,705</u></b>	<b><u>128,992</u></b>		<b><u>55,075</u></b>	<b><u>1,163,772</u></b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	27,369		\$ 61,364	6,367	95,100
Reserved for materials and supplies inventory. . . . .	3,580			1,869	5,449
Reserved for prepayments . . . . .	14,668				14,668
Reserved for property tax unavailable for appropriation . . . . .	7,495	1,505		168	9,168
Reserved for textbooks . . . . .	44,133				44,133
Unreserved, designated:					
Designated for Termination Benefits				60,784	60,784
Unreserved, undesignated, reported in:					
General fund . . . . .	203,264				203,264
Special revenue funds. . . . .				136,742	136,742
Debt service fund . . . . .		60,084			60,084
Capital projects funds. . . . .			171,207	484	171,691
<b>Total fund balances . . . . .</b>	<b><u>300,509</u></b>	<b><u>61,589</u></b>	<b><u>232,571</u></b>	<b><u>206,414</u></b>	<b><u>801,083</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 1,280,214</u></b>	<b><u>\$ 190,581</u></b>	<b><u>\$ 232,571</u></b>	<b><u>\$ 261,489</u></b>	<b><u>\$ 1,964,855</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

**Total governmental fund balances** \$ 801,083

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 12,473,736

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

Taxes	\$ 29,218	
Accrued interest	4,160	

Total		33,378
-------	--	--------

In the statement of activities interest is accrued on outstanding bonds,  
whereas in governmental funds, interest expenditures are reported  
when due. (2,572)

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

Compensated absences	115,144	
General obligation bonds payable	875,000	

Total		(990,144)
-------	--	-----------

**Net assets of governmental activities** \$ 12,315,481

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 879,126	\$ 120,775		\$ 13,365	\$ 1,013,266
Charges for services. . . . .				94,909	94,909
Earnings on investments. . . . .	17,502			1,499	19,001
Extracurricular. . . . .	2,500			86,567	89,067
Classroom materials and fees . . . . .	17,764			-	17,764
Other local revenues. . . . .	15,968			2,996	18,964
Intergovernmental - Intermediate. . . . .				3,000	3,000
Intergovernmental - State. . . . .	2,169,133	15,338		37,929	2,222,400
Intergovernmental - Federal . . . . .				177,040	177,040
Total revenue . . . . .	<u>3,101,993</u>	<u>136,113</u>		<u>417,305</u>	<u>3,655,411</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	1,582,145		\$ 1,223	92,132	1,675,500
Special. . . . .	219,633			107,858	327,491
Vocational. . . . .	71,784				71,784
Support services:					
Pupil. . . . .	81,970			15,618	97,588
Instructional staff . . . . .	129,004			14,790	143,794
Board of education . . . . .	41,888				41,888
Administration. . . . .	280,730			6,436	287,166
Fiscal . . . . .	155,796	2,719		301	158,816
Operations and maintenance. . . . .	346,673		18,975	10,597	376,245
Pupil transportation . . . . .	132,094			7,902	139,996
Food service operations . . . . .				115,439	115,439
Extracurricular activities. . . . .	92,378			82,069	174,447
Debt service:					
Principal retirement . . . . .		90,000			90,000
Interest and fiscal charges . . . . .		45,447			45,447
Total expenditures . . . . .	<u>3,134,095</u>	<u>138,166</u>	<u>20,198</u>	<u>453,142</u>	<u>3,745,601</u>
Excess of revenues under expenditures . . . . .	<u>(32,102)</u>	<u>(2,053)</u>	<u>(20,198)</u>	<u>(35,837)</u>	<u>(90,190)</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .			75,000	7,447	82,447
Transfers (out). . . . .	(82,447)				(82,447)
Total other financing sources (uses) . . . . .	<u>(82,447)</u>		<u>75,000</u>	<u>7,447</u>	
Net change in fund balances . . . . .	(114,549)	(2,053)	54,802	(28,390)	(90,190)
<b>Fund balances at</b>					
<b>beginning of year (restated) . . . . .</b>	415,058	63,642	177,769	234,804	891,273
<b>Fund balances at end of year. . . . .</b>	<u>\$ 300,509</u>	<u>\$ 61,589</u>	<u>\$ 232,571</u>	<u>\$ 206,414</u>	<u>\$ 801,083</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**Net change in fund balances - total governmental funds** **\$ (90,190)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$ 19,659	
Current year depreciation	<u>(298,514)</u>	
Total		(278,855)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	19,808	
Accrued interest	<u>1,676</u>	
Total		21,484

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. 572

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 90,000

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 57,666

**Change in net assets of governmental activities** **\$ (199,323)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u></u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 890,533	\$ 897,400	\$ 912,174	\$ 14,774
Earnings on investments . . . . .	7,939	8,000	17,510	9,510
Extracurricular . . . . .			2,500	2,500
Classroom materials and fees . . . . .	17,862	18,000	17,833	(167)
Other local revenue . . . . .	2,481	2,500	15,968	13,468
Intergovernmental - State . . . . .	2,084,844	2,100,921	2,169,133	68,212
Total revenue . . . . .	<u>3,003,659</u>	<u>3,026,821</u>	<u>3,135,118</u>	<u>108,297</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	1,700,274	1,687,101	1,594,741	92,360
Special . . . . .	223,523	221,088	218,729	2,359
Vocational . . . . .	84,821	83,750	70,799	12,951
Support services:				
Pupil . . . . .	88,012	88,359	86,747	1,612
Instructional staff . . . . .	135,866	134,150	124,775	9,375
Board of education . . . . .	27,599	33,030	45,881	(12,851)
Administration . . . . .	276,036	272,764	266,412	6,352
Fiscal . . . . .	163,870	161,800	155,595	6,205
Operations and maintenance . . . . .	354,020	367,206	348,952	18,254
Pupil transportation . . . . .	150,522	149,002	138,817	10,185
Extracurricular activities . . . . .	86,138	85,050	92,325	(7,275)
Total expenditures . . . . .	<u>3,290,681</u>	<u>3,283,300</u>	<u>3,143,773</u>	<u>139,527</u>
Excess of expenditures over revenues	<u>(287,022)</u>	<u>(256,479)</u>	<u>(8,655)</u>	<u>247,824</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .			708	708
Transfers in . . . . .	59,541	60,000	60,599	599
Transfers (out) . . . . .	(78,998)	(78,000)	(143,046)	(65,046)
Advances in . . . . .		5,000	5,000	
Advances (out) . . . . .		(7,000)	(5,000)	2,000
Total other financing sources (uses) . . . . .	<u>(19,457)</u>	<u>(20,000)</u>	<u>(81,739)</u>	<u>(61,739)</u>
Net change in fund balance . . . . .	(306,479)	(276,479)	(90,394)	186,085
<b>Fund balance at beginning of year . . . . .</b>	540,041	540,041	540,041	
<b>Prior year encumbrances appropriated . . . . .</b>	34,179	34,179	34,179	
<b>Fund balance at end of year . . . . .</b>	<u>\$ 267,741</u>	<u>\$ 297,741</u>	<u>\$ 483,826</u>	<u>\$ 186,085</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 1,358	\$ 31,398
Receivables:		
Accounts . . . . .		3,827
Total assets. . . . .	\$ 1,358	\$ 35,225
<b>Liabilities:</b>		
Accounts payable. . . . .		\$ 37
Intergovernmental payable . . . . .		5,000
Due to students . . . . .		30,188
Total liabilities . . . . .		\$ 35,225
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	1,358	
Total net assets . . . . .	\$ 1,358	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 47
Gifts and contributions . . . . .	4,651
	4,698
<b>Deductions:</b>	
Scholarships awarded . . . . .	9,000
Change in net assets . . . . .	(4,302)
<b>Net assets at beginning of year . . . . .</b>	<b>5,660</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 1,358</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The New Riegel Local School District (the District) is located in Seneca County and encompasses the Village of New Riegel. The District serves an area of approximately 30 square miles.

The District was established in 1841 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 605<sup>th</sup> largest by enrollment among the 614 public school districts in the state and 6<sup>th</sup> in Seneca County. It currently operates one elementary school, one middle school, and one comprehensive high school. The District employs 28 non-certified and 35 certified employees to provide services to 437 students in grades K through 12 and various community groups.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, and student related activities of the District.

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 organizations' government 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; (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. Based upon the application of these criteria, the District has no component units. 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, 2005  
(Continued)**

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

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

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

Vanguard-Sentinel Career Centers

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

Northwestern Ohio Educational Research Council, Inc.

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

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 \$24,504 during fiscal year 2005 for natural gas. Financial information is available from the Erie Ottawa Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

PUBLIC ENTITY RISK POOLS

North Central Ohio Joint Self-Insurance Association (Association)

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, the Sandusky County Educational Service Center, and five local school districts - Tiffin, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts, the North Central Ohio Educational Service Center, and the Sandusky County Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 12 for further information on this public entity risk pool.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating program for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP) was established through the Ohio School Boards Association (OSBA) 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 GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 12 for further information on this group rating program.

**B. Fund Accounting**

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

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

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

FIDUCIARY FUNDS

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

**C. Basis of Presentation and Measurement Focus**

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 presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, interest, tuition, grants, student fees and rentals.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. 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 certificates 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 appropriation resolution is subject to amendment throughout the year with the restriction 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.

**F. Cash and Investments**

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

During fiscal year 2005, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificate of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2005. 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 share price which is the price the investment could be sold for on June 30, 2005.

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 general fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$17,502, which includes \$8,144 assigned from other District 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 4.

**G. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, purchased food, and school supplies held for resale and are expensed when used. The cost of inventory items is recorded as an expenditure when purchased.

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The District does not possess infrastructure.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

Description	Governmental Activities Estimated Lives
Land improvements	10 - 20 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	4 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets. The District had no interfund receivables/payables at June 30, 2005.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, and textbooks. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation within the other governmental funds represents monies set aside by the Board for future payment of termination benefits.

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General fund include amounts required by State statute to be set-aside to create a reserve for textbooks. A schedule of statutory reserves is presented in Note 17.

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 expenditures/expenses 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.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Other Governmental</u>
Fund Balances, June 30, 2004	\$ 437,580	\$ 238,447
GASB Technical Bulletin No. 2004-2	<u>(22,522)</u>	<u>(3,643)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 415,058</u>	<u>\$ 234,804</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2005, included the following individual fund deficits:

<u>Nonmajor Funds</u>	
EMIS	\$ 3
Ohio Reads Grant	580
Summer Intervention Grant	881
Drug Free Schools	1
Miscellaneous Federal Grants	1

These funds complied with Ohio state law, which does not permit cash basis deficits. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - 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.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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 obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

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 circumstances, corporate debt interests rated 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 delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash with Fiscal Agent**

The District had \$412 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 20, 2005, the carrying amount of all District deposits was \$728,130. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$653,159 of the District's bank balance of \$753,159 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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

**C. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 353,488	\$ 353,488

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 353,488	100.00%

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 728,130
Investments	353,488
Total	<u>\$ 1,081,618</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,048,862
Private-purpose trust funds	1,358
Agency funds	31,398
Total	<u>\$ 1,081,618</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers from General fund to:	
Permanent Improvement fund	\$ 75,000
Nonmajor Governmental funds	<u>7,447</u>
Total	<u>\$ 82,447</u>

Transfers are used to move revenues from the fund that statute or budget requires 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 on the statement of activities.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 6 - PROPERTY TAXES – (Continued)**

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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$7,495 in the general fund, \$1,505 in the Debt Service fund and \$168 in the Classroom Facilities Maintenance fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$50,637 in the general fund, \$9,969 in the Debt Service fund, and \$1,106 in the Classroom Facilities Maintenance fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 29,559,640	90.13	\$ 30,107,680	91.61
Public utility personal	1,487,460	4.54	1,247,817	3.80
Tangible personal property	<u>1,749,014</u>	<u>5.33</u>	<u>1,509,180</u>	<u>4.59</u>
Total	<u>\$ 32,796,114</u>	<u>100.00</u>	<u>\$ 32,864,677</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 43.92		\$ 43.92	

**NOTE 7 - 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. 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.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2005, consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Taxes	\$ 886,283
Accounts	21
Intergovernmental	5,000
Accrued interest	<u>4,160</u>
Total	<u>\$ 895,464</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
<i>Governmental Activities</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 119,305	\$ -	\$ -	\$ 119,305
Total capital assets, not being depreciated	<u>119,305</u>	<u>-</u>	<u>-</u>	<u>119,305</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	42,720			42,720
Buildings and improvements	12,965,200			12,965,200
Furniture and equipment	202,967	19,659		222,626
Vehicles	<u>471,524</u>	<u>-</u>	<u>-</u>	<u>471,524</u>
Total capital assets, being depreciated	<u>13,682,411</u>	<u>19,659</u>	<u>-</u>	<u>13,702,070</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(40,988)	(316)		(41,304)
Buildings and improvements	(617,130)	(259,303)		(876,433)
Furniture and equipment	(34,104)	(14,969)		(49,073)
Vehicles	<u>(356,903)</u>	<u>(23,926)</u>	<u>-</u>	<u>(380,829)</u>
Total accumulated depreciation	<u>(1,049,125)</u>	<u>(298,514)</u>	<u>-</u>	<u>(1,347,639)</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 12,752,591</u>	<u>\$ (278,855)</u>	<u>\$ -</u>	<u>\$ 12,473,736</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 9 - CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 152,956
Special	11,006
 <u>Support Services:</u>	
Administration	10,093
Operations and maintenance	13,247
Pupil transportation	24,230
Extracurricular activities	73,362
Food service operations	<u>13,620</u>
 Total depreciation expense	 <u>\$ 298,514</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

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

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

Year Ending June 30	G.O. Bonds		
	Principal	Interest	Total
2006	30,000	43,105	73,105
2007	30,000	41,883	71,883
2008	30,000	40,645	70,645
2009	35,000	39,287	74,287
2010	35,000	37,809	72,809
2011 - 2015	200,000	164,097	364,097
2016 - 2020	255,000	105,975	360,975
2021 - 2024	260,000	28,890	288,890
Total	<u>\$ 875,000</u>	<u>\$ 501,691</u>	<u>\$ 1,376,691</u>

**B.** On January 16, 2004 the District issued a \$60,000 bond anticipation note. This note was issued in anticipation of the issuance of bonds to pay the local share of school construction and to pay the costs of acquiring a site for classroom facilities under the State of Ohio Classroom Facilities Assistance program. The note matured on January 14, 2005 and bore an annual interest rate of 1.75%. This note is a general obligation of the District, for which the District's full faith and credit is pledged for repayment.

**C.** During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2004	Additions	Reductions	Balance Outstanding June 30, 2005	Amounts Due in One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 207,466	\$ 34,932	\$ (104,000)	\$ 138,398	\$ 35,470
Bond anticipation notes	60,000		(60,000)		
General obligation bonds payable	905,000	-	(30,000)	875,000	30,000
Total long-term obligations, governmental activities	<u>\$ 1,172,466</u>	<u>\$ 34,932</u>	<u>\$ (194,000)</u>	<u>\$ 1,013,398</u>	<u>\$ 65,470</u>

**D. 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 effects of these debt limitations at June 30, 2005, are a voted debt margin of \$2,144,410 and an unvoted debt margin of \$32,865.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 11 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Upon retirement, a fully vested employee is entitled to 25 percent of their accumulated sick leave based on their years of service not to exceed 220 days or a maximum payout of 55 days. The maximum payout days of 55 is reduced if the employee has less than ten years of service with the District. Employees who use five or fewer sick days a year are credited with one extra day of severance pay to a maximum accumulation of ten extra days. This negotiated agreement effectively increases the District's maximum severance payout to 65 days.

**NOTE 12 - 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>Deductible</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Coverage</u>
General liability:	Indiana Insurance Company		
Each occurrence		\$1,000,000	\$
Aggregate		2,000,000	
Building and contents	Indiana Insurance Company	13,456,444	1,000
Auto Liability	United Insurance Service	1,000,000	

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

**B. Health Insurance**

The District joined together with other area school districts to form the North Central Ohio Joint Self Insurance Association, a public entity risk pool for eight member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 12 - RISK MANAGEMENT – (Continued)**

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.).

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

**NOTE 13 - DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

For the fiscal year ended June 30, 2005, plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rate for fiscal year 2005 was 14% of annual covered payroll; 10.57% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's contributions for pension obligation to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$45,422, \$37,810 and \$70,614, respectively; 49.52% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$30,372 represents the unpaid contribution for fiscal year 2005.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLAN – (Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

For the fiscal year ended June 30, 2005, plan members are required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The District's required contributions for pension obligation for the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$201,291, \$192,049, and \$208,105, respectively; 83.92% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$34,860 represents the unpaid contribution for fiscal year 2005. Contributions to the DC and Combined Plans for fiscal 2005 were \$3,200 made by the District and \$3,111 made by plan members.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLAN – (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$15,484 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the healthcare allocation is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the 2005 fiscal year, the District paid \$21,145 to fund health care benefits, including the surcharge.



**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)**

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005, were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of the next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While the District's reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ (90,394)
Net adjustment for revenue accruals	(33,125)
Net adjustment for expenditure accruals	(18,029)
Net adjustment for other sources/uses	(708)
Adjustment for encumbrances	<u>27,707</u>
GAAP basis	<u>\$ (114,549)</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives financial assistance from 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 not involved in any litigation as either plaintiff or defendant.

**NOTE 17 - STATUTORY RESERVES**

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

The following cash basis information describes the change in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ 8,574	
Current year set-aside requirement	60,599	\$ 60,599
Current year offsets		(75,000)
Qualifying disbursements	<u>(25,040)</u>	<u>(26,027)</u>
Total	<u>\$ 44,133</u>	<u>\$ (40,428)</u>
Cash balance carried forward to FY 2006	<u>\$ 44,133</u>	<u>\$ -</u>

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

A schedule of the restricted assets at June 30, 2005 follows:

Amount restricted for textbooks	\$ <u>44,133</u>
Total restricted assets	\$ <u>44,133</u>

**NOTE 18 – SUBSEQUENT EVENTS**

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.



# Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Riegel Local School District, Seneca County (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 8, 2007, in which we noted the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-2, Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers. 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 to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 8, 2007, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated February 8, 2007, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 8, 2007



Mary Taylor, CPA  
Auditor of State

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 13, 2007**