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**AUDITOR OF STATE**  
STATE OF OHIO





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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

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**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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### **REPORT OF INDEPENDENT ACCOUNTANTS**

New Riegel Local School District  
Seneca County  
44 North Perry Street  
P.O. Box 207  
New Riegel, Ohio 44853-0207

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the New Riegel Local School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the New Riegel Local School District, Seneca County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

November 27, 2002

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**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$489,740	\$176,189	\$57,758	\$5,227,312
Cash with fiscal agent	116			
Receivables (net of allowances of uncollectibles):				
Taxes - current and delinquent	681,960	13,689	119,257	
Accounts	19	109		
Accrued interest	1,967			
Interfund loan receivable	11,500			
Due from other governments				760,707
Materials and supplies inventory	4,259			
Prepayments	7,559			6,310
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>Other debits:</b>				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term obligations				
<b>Total assets and other debits</b>	<b><u>\$1,197,004</u></b>	<b><u>\$190,103</u></b>	<b><u>\$177,015</u></b>	<b><u>\$5,994,329</u></b>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$26,329	\$30,608			\$6,007,936
				116
61	2,647			814,906
				2,836
				1,967
				11,500
				760,707
3,114				7,373
				13,869
3,560		\$12,297,443		12,301,003
			\$67,589	67,589
			1,316,373	1,316,373
<b>\$33,064</b>	<b>\$33,255</b>	<b>\$12,297,443</b>	<b>\$1,383,962</b>	<b>\$21,306,175</b>

(Continued)

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002  
(Continued)

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$479			
Contracts payable				\$280,928
Accrued wages and benefits	241,966	\$1,150		
Compensated absences payable	8,090			
Pension obligation payable	40,361	400		
Interfund loan payable		7,500		
Deferred revenue	555,252	12,560	\$109,426	731,891
Due to other governments	10,020	149		
Due to students				
Bond anticipation notes payable				
General obligation bonds payable				
Energy conservation loan payable				
 Total liabilities	 856,168	 21,759	 109,426	 1,012,819
<b>Equity and other credits:</b>				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	5,603	7,501		4,463,447
Reserved for materials and supplies inventory	4,259			
Reserved for prepayments	7,559			6,310
Reserved for debt service			57,758	
Reserved for tax revenue				
unavailable for appropriation	49,709	1,128	9,831	
Unreserved-undesignated	273,706	159,715		511,753
 Total equity and other credits	 340,836	 168,344	 67,589	 4,981,510
 <b>Total liabilities, equity and other credits</b>	 <b>\$1,197,004</b>	 <b>\$190,103</b>	 <b>\$177,015</b>	 <b>\$5,994,329</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
				\$479
				280,928
\$5,878				248,994
2,955		\$180,964		192,009
7,543		27,325		75,629
	\$4,000			11,500
2,171				1,411,300
244				10,413
	29,255			29,255
		190,000		190,000
		955,000		955,000
		30,673		30,673
18,791	33,255		1,383,962	3,436,180
		\$12,297,443		12,297,443
14,273				14,273
				4,476,551
				4,259
				13,869
				57,758
				60,668
				945,174
14,273		12,297,443		17,869,995
<b>\$33,064</b>	<b>\$33,255</b>	<b>\$12,297,443</b>	<b>\$1,383,962</b>	<b>\$21,306,175</b>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
From local sources:		
Taxes	\$788,575	\$13,020
Tuition	1,971	
Earnings on investments	28,114	727
Extracurricular	10,000	68,333
Other local revenues	25,293	4,103
Other revenue	12	1,000
Intergovernmental - State	2,056,305	26,908
Intergovernmental - Federal		79,474
Total revenue	<u>2,908,299</u>	<u>195,536</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	1,373,937	28,193
Special	216,150	65,504
Vocational	65,923	
Support services:		
Pupil	106,441	7,922
Instructional staff	107,327	7,392
Board of Education	7,974	
Administration	251,259	850
Fiscal	92,009	763
Operations and maintenance	204,608	7,834
Pupil transportation	141,577	4,172
Extracurricular activities	75,054	58,037
Facilities acquisition and construction	21,000	
Debt service:		
Principal retirement		
Interest and fiscal charges		
Total expenditures	<u>2,663,259</u>	<u>180,667</u>
Excess of revenues over (under) expenditures	<u>245,040</u>	<u>14,869</u>
<b>Other financing sources (uses):</b>		
Operating transfers in		80,017
Operating transfers out	(247,927)	
Note proceeds		
Proceeds from sale of assets		
Total other financing sources (uses)	<u>(247,927)</u>	<u>80,017</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(2,887)</u>	<u>94,886</u>
Fund balances, July 1	343,174	73,458
Increase in reserve for inventory	549	
<b>Fund balances, June 30</b>	<b><u>\$340,836</u></b>	<b><u>\$168,344</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

<b>Governmental Fund Types</b>		<b>Total (Memorandum Only)</b>
<b>Debt Service</b>	<b>Capital Projects</b>	
\$41,929	\$70,375	\$913,899
		1,971
	130,521	159,362
		78,333
		29,396
		1,012
13,754	5,574,663	7,671,630
		79,474
<b>55,683</b>	<b>5,775,559</b>	<b>8,935,077</b>
	36,498	1,438,628
		281,654
		65,923
		114,363
	443	115,162
		7,974
		252,109
2,262	180	95,214
	500	212,942
		145,749
		133,091
	6,298,846	6,319,846
72,612	250,000	322,612
50,515	10,375	60,890
<b>125,389</b>	<b>6,596,842</b>	<b>9,566,157</b>
<b>(69,706)</b>	<b>(821,283)</b>	<b>(631,080)</b>
20,050	388,106	488,173
	(238,106)	(486,033)
	190,000	190,000
	6,185	6,185
<b>20,050</b>	<b>346,185</b>	<b>198,325</b>
(49,656)	(475,098)	(432,755)
117,245	5,456,608	5,990,485
		549
<b>\$67,589</b>	<b>\$4,981,510</b>	<b>\$5,558,279</b>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>General</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Revised Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
From local sources:			
Taxes	\$792,900	\$835,562	\$42,662
Tuition			
Earnings on investments	30,000	28,129	(1,871)
Extracurricular	10,000	10,000	0
Other local revenues	13,000	25,928	12,928
Local revenues			
Intergovernmental - State	2,019,000	2,056,304	37,304
Intergovernmental - Federal			
Total revenues	<u>2,864,900</u>	<u>2,955,923</u>	<u>91,023</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,365,768	1,364,720	1,048
Special	209,827	206,795	3,032
Vocational	66,150	65,540	610
Support services:			
Pupil	107,580	106,729	851
Instructional staff	104,722	103,998	724
Board of Education	9,375	8,953	422
Administration	246,905	245,691	1,214
Fiscal	91,530	91,020	510
Operations and maintenance	209,750	208,849	901
Pupil transportation	140,215	139,686	529
Extracurricular activities	75,425	74,917	508
Facilities acquisition and construction	21,000	21,000	0
Debt service:			
Principal retirement	17,612	17,612	0
Interest and fiscal charges	<u>2,450</u>	<u>2,438</u>	<u>12</u>
Total expenditures	<u>2,668,309</u>	<u>2,657,948</u>	<u>10,361</u>
Excess of revenues over (under) expenditures	<u>196,591</u>	<u>297,975</u>	<u>101,384</u>
<b>Other financing sources (uses):</b>			
Advances in			
Advances out	(11,500)	(11,500)	0
Operating transfers in			
Operating transfers out	(227,876)	(227,876)	0
Proceeds from sale of notes			
Refund of prior year receipts	(625)	(622)	3
Refund of prior year expenditure		(11)	(11)
Proceeds from sale of assets			
Total other financing sources (uses)	<u>(240,001)</u>	<u>(240,009)</u>	<u>(8)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(43,410)</u>	<u>57,966</u>	<u>101,376</u>
Fund balances, July 1	417,910	417,910	0
Prior year encumbrances appropriated	7,782	7,782	0
<b>Fund balances, June 30</b>	<b>\$382,282</b>	<b>\$483,658</b>	<b>\$101,376</b>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$14,550	\$13,511	(\$1,039)	\$116,400	\$116,820	\$420
656	1,971	1,315			
821	727	(94)			
67,452	68,333	881			
1,617	4,103	2,486			
29	1,000	971			
39,069	26,908	(12,161)	11,001	13,754	2,753
79,618	76,388	(3,230)			
<b>203,812</b>	<b>192,941</b>	<b>(10,871)</b>	<b>127,401</b>	<b>130,574</b>	<b>3,173</b>
53,899	35,691	18,208			
66,401	66,401				
8,713	7,955	758			
7,425	4,921	2,504			
500	500				
1,500	776	724	4,000	2,389	1,611
10,351	8,362	1,989			
4,200	3,836	364			
87,494	58,951	28,543			
			305,000	305,000	
			106,298	58,452	47,846
<b>240,483</b>	<b>187,393</b>	<b>53,090</b>	<b>415,298</b>	<b>365,841</b>	<b>49,457</b>
<b>(36,671)</b>	<b>5,548</b>	<b>42,219</b>	<b>(287,897)</b>	<b>(235,267)</b>	<b>52,630</b>
214	7,500	7,286			
2,286	80,017	77,731			
			190,000	190,000	
6	200	194			
<b>2,506</b>	<b>87,717</b>	<b>85,211</b>	<b>190,000</b>	<b>190,000</b>	
(34,165)	93,265	127,430	(97,897)	(45,267)	52,630
72,491	72,491		103,025	103,025	
2,932	2,932				
<b>\$41,258</b>	<b>\$168,688</b>	<b>\$127,430</b>	<b>\$5,128</b>	<b>\$57,758</b>	<b>\$52,630</b>

(Continued)

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

(Continued)

	<b>Capital Projects</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Budget Revised</b>	<b>Actual</b>	
<b>Revenues:</b>			
From local sources:			
Taxes			
Tuition			
Earnings on investments	\$246,347	\$130,521	(\$115,826)
Extracurricular			
Other local revenues			
Local revenues			
Intergovernmental - State	6,837,762	5,710,470	(1,127,292)
Intergovernmental - Federal			
Total revenues	<u>7,084,109</u>	<u>5,840,991</u>	<u>(1,243,118)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	41,616	36,534	5,082
Special			
Vocational			
Support services:			
Pupil			
Instructional staff	2,000	443	1,557
Board of Education			
Administration	2,179	77	2,102
Fiscal	1,000	180	820
Operations and maintenance	21,000	500	20,500
Pupil transportation			
Extracurricular activities			
Facilities acquisition and construction	12,378,166	10,885,350	1,492,816
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>12,445,961</u>	<u>10,923,084</u>	<u>1,522,877</u>
Excess of revenues over (under) expenditures	<u>(5,361,852)</u>	<u>(5,082,093)</u>	<u>279,759</u>
<b>Other financing sources (uses):</b>			
Advances in			
Advances out			
Operating transfers in	237,815	388,106	150,291
Operating transfers out	(238,429)	(238,106)	323
Proceeds from sale of notes			
Refund of prior year receipts			
Refund of prior year expenditure			
Proceeds from sale of assets	2,196	6,185	3,989
Total other financing sources (uses)	<u>1,582</u>	<u>156,185</u>	<u>154,603</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(5,360,270)</u>	<u>(4,925,908)</u>	<u>434,362</u>
Fund balances, July 1	4,939,981	4,939,981	
Prior year encumbrances appropriated	468,864	468,864	
<b>Fund balances, June 30</b>	<b>\$48,575</b>	<b>\$482,937</b>	<b>\$434,362</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

<b>Total (Memorandum only)</b>		
<b>Budget Revised</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$923,850	\$965,893	\$42,043
656	1,971	1,315
277,168	159,377	(117,791)
77,452	78,333	881
14,617	30,031	15,414
29	1,000	971
8,906,832	7,807,436	(1,099,396)
79,618	76,388	(3,230)
<b>10,280,222</b>	<b>9,120,429</b>	<b>(1,159,793)</b>
1,461,283	1,436,945	24,338
276,228	273,196	3,032
66,150	65,540	610
116,293	114,684	1,609
114,147	109,362	4,785
9,875	9,453	422
249,084	245,768	3,316
98,030	94,365	3,665
241,101	217,711	23,390
144,415	143,522	893
162,919	133,868	29,051
12,399,166	10,906,350	1,492,816
322,612	322,612	
108,748	60,890	47,858
<b>15,770,051</b>	<b>14,134,266</b>	<b>1,635,785</b>
<b>(5,489,829)</b>	<b>(5,013,837)</b>	<b>475,992</b>
214	7,500	7,286
(11,500)	(11,500)	
240,101	468,123	228,022
(466,305)	(465,982)	323
190,000	190,000	
(625)	(622)	3
6	189	183
2,196	6,185	3,989
<b>(45,913)</b>	<b>193,893</b>	<b>239,806</b>
(5,535,742)	(4,819,944)	715,798
5,533,407	5,533,407	
479,578	479,578	
<b>\$477,243</b>	<b>\$1,193,041</b>	<b>\$715,798</b>

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Enterprise</u>
<b>Operating revenues:</b>	
Tuition and fees	\$17,840
Sales/charges for services	<u>84,132</u>
Total operating revenues	<u>101,972</u>
<b>Operating expenses:</b>	
Personal services	48,215
Contract services	3,362
Depreciation	145
Materials and supplies	<u>77,479</u>
Total operating expenses	<u>129,201</u>
Operating loss	<u>(27,229)</u>
<b>Nonoperating revenues:</b>	
Operating grants	14,724
Federal commodities	14,339
Interest revenue	<u>297</u>
Total nonoperating revenues	<u>29,360</u>
Net income before capital contributions and operating transfers.	2,131
Capital contributions	1,450
Operating transfers out.	<u>(2,140)</u>
Net income	1,441
Retained earnings, July 1	<u>12,832</u>
<b>Retained earnings, June 30.</b>	<u><b>\$14,273</b></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Enterprise</b>
<b>Cash flows from operating activities:</b>	
Cash received from tuition and fees	\$17,958
Cash received from sales/service charges	84,130
Cash payments for personal services	(48,070)
Cash payments for contract services	(3,737)
Cash payments for materials and supplies	<u>(62,895)</u>
Net cash used in operating activities	<u>(12,614)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash used for operating transfers	(2,140)
Cash received from operating grants	<u>16,000</u>
Net cash provided by noncapital financing activities	<u>13,860</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>297</u>
Net cash provided by investing activities	<u>297</u>
Net increase in cash and cash equivalents	1,543
Cash and cash equivalents at beginning of year	<u>24,786</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$26,329</u></b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	(\$27,229)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	145
Federal donated commodities	14,339
Changes in assets and liabilities:	
Decrease in materials and supplies inventory	91
Decrease in accounts receivable	116
Decrease in accounts payable	(375)
Increase in accrued wages and benefits	106
Increase in compensated absences payable	236
Increase in due to other governments	244
Decrease in pension obligation payable	(441)
Increase in deferred revenue	<u>154</u>
<b>Net cash used in operating activities</b>	<b><u>(\$12,614)</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

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**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**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 601<sup>st</sup> largest by enrollment among the 705 public and community school districts in the state, and 6th in Seneca County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 33 non-certified and 35 certified employees to provide services to 478 students in grades K through 12 and various community groups.

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

The general-purpose financial statements (GPFS) 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 prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District.

**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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to § 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 14 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 plan for workers' compensation as established in § 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 14 for further information on this group rating plan.

**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 Joint Vocational School**

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

*General Fund* - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

**PROPRIETARY FUNDS**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund type.

*Enterprise Funds* - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Agency Funds – The agency funds are used to account for assets held by the District as an agent for individual, private organizations, other governments, or other funds.

**ACCOUNT GROUPS**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**C. Measurement Focus/Basis of Accounting**

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

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

The modified accrual basis of accounting is followed for governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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 the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from income taxes is recognized when the underlying exchange has occurred and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the full accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes or income taxes.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Although the legal level of budgetary control was established at the fund level of expenditures for all funds, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures for these funds.

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002. The amounts reported in the budgetary statement reflect the original appropriations plus all amendments legally enacted by the Bond prior to June 30, 2002.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the legal levels of budgetary controls.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 18 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 15 discloses the encumbrances outstanding for the enterprise funds.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 combined balance sheet.

During fiscal year 2002, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

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, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2002 amounted to \$28,114, which includes \$16,014 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 Treasurer's investment account at year-end is provided in Note 4.

**F. Inventory**

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepays**

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At fiscal year-end, because prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over an estimated useful life of five to twenty years.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

**I. Intergovernmental Revenues**

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

**Entitlements**

General Fund

State Foundation Program  
State Property Tax Relief

Special Revenue Funds

Classroom Facilities Maintenance Fund – State Property Tax Relief

Debt Service Fund

State Property Tax Relief

**Non-Reimbursable Grants**

Special Revenue Funds

Management Information Systems  
Title I  
Title VI  
Title VI-B  
Eisenhower  
Drug Free Grant  
SchoolNet Professional Development  
Ohio Reads  
Safe School Helpline  
Classroom Reduction  
Network Connectivity  
SIRI Transportation

Capital Projects Fund

Technology Equity  
SchoolNet  
Classroom Facilities

**Reimbursable Grants**

General Fund

Driver Education

Enterprise Funds

National School Lunch Program  
Government Donated Commodities

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

Grants and entitlements amounted to approximately 87% of the District's operating revenue during the 2002 fiscal year for all governmental funds.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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 the balance sheet date 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 sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**K. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**L. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, and tax revenue unavailable for appropriation. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

**M. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2002.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2002.

An analysis of interfund transactions is presented in Note 5.

**N. Estimates**

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

**O. Contributions of Capital**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at year-end. There was \$1,450 in capital contributions received by the enterprise funds in 2002.

**P. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

Fund balances at June 30, 2002, included the following individual deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Teacher Development	\$2
Management Information Systems	4
Ohio Reads	4,389
Extended Learning Opportunity	400
Title I	61
Drug-Free School Grant	5
Reducing Class Size	18

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the Teacher Development, Management Information Systems, Ohio Reads, Extended Learning Opportunity, Title I, Drug-Free School Grant, and Reducing Class Size Grant, special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages and retirement obligations attributable to the fiscal year. These deficits will be eliminated by intergovernmental revenues and other subsidies not recognized at June 30.

**B. Compliance**

Expenditures exceeded appropriations in the amount of \$177,355 in the Bond Retirement Fund at January 31, 2002

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash with fiscal agent:* The District had \$116 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 the District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments and Reverse Repurchase Agreements".

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*Deposits:* At year-end, the carrying amount of the District's deposits was \$531,224 and the bank balance was \$1,144,439. Of the bank balance:

1. \$100,000 was covered by federal deposit insurance; and
2. \$1,044,439 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the state of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

The District had an investment of \$5,476,712 in STAR Ohio at June 30, 2002. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$6,008,052	
Investments of the cash management pool:		
Investment in STAR Ohio	(5,476,712)	\$5,476,712
Cash with fiscal agent	(116)	
GASB Statement No. 3	<u>\$531,224</u>	<u>\$5,476,712</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

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	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$247,927
Special Revenue Fund:		
Termination Benefits Fund	\$80,017	
Debt Service Fund	20,050	
Capital Project Funds:		
Permanent Improvement	150,000	238,106
Classroom Facilities Construction Fund	238,106	
Enterprise Fund		
Food Service		2,140
Total	<u>\$488,173</u>	<u>\$488,173</u>

**B.** The following is a summarized breakdown of the District's interfund loans receivable and payable at June 30, 2002:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$11,500	
Special Revenue Fund		
Ohio Reads		\$7,500
Agency Fund		
Employee Benefits		4,000
Total	<u>\$11,500</u>	<u>\$11,500</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2001 taxes were collected was \$30,119,231. Agricultural/Residential and public utility real estate represented 82.56% or \$24,866,810 of this total; Commercial and Industrial real estate represented 6.98% or \$2,101,450 of this total, public utility tangible represented 4.84% or \$1,457,610 of this total and general tangible property represented 5.62% or \$1,693,361 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was

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\$37.50 per \$1,000.00 of assessed valuation for operations and \$4.32 per \$1,000.00 of assessed valuation for debt service.

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. All property is required to be revalued every six years. The last reappraisal update was completed in 1999.

The Seneca County Treasurer collects property tax on behalf of the District. The Seneca County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$60,668 was available to the District as an advance at June 30, and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to fiscal year-end.

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The District levies a voted tax of three-quarters 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.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as "Due from other governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<b>General Fund</b>	
Taxes - current and delinquent	\$681,960
Accounts	19
Accrued interest	1,967
Interfund loans	11,500

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)

	<u>Amounts</u>
<b><u>Special Revenue Funds</u></b>	
Taxes - current and delinquent	13,689
Accounts	109
<b><u>Debt Service Fund</u></b>	
Taxes - current and delinquent	119,257
<b><u>Capital Projects Funds</u></b>	
Due From Other Governments	760,707
<b><u>Enterprise Funds</u></b>	
Accounts	61
<b><u>Agency Funds</u></b>	
Accounts	2,647

**NOTE 9 - FIXED ASSETS**

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Balance 7/1/01	Increase	Decrease	Balance 6/30/02
Land / improvements	\$154,568			\$154,568
Buildings / improvements	3,638,629	\$27,572	\$9,998	3,656,203
Furniture / equipment	759,442	34,548		793,990
Vehicles	484,828			484,828
Construction in progress	1,122,756	6,085,098		7,207,854
<b>Total</b>	<b>\$6,160,223</b>	<b>\$6,147,218</b>	<b>\$9,998</b>	<b>\$12,297,443</b>

The construction in progress represents costs incurred by June 30, 2002 for the construction of a new building for the elementary, middle and high school. The total estimated cost of the building project, of which 89 percent is being funded by the Ohio School Facilities Commission, is \$12,601,723. The scheduled date of completion is December 2002.

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	\$24,002
Less: accumulated depreciation	<u>20,442</u>
<b>Net fixed assets</b>	<b><u>\$3,560</u></b>

**NOTE 10 - OPERATING LEASES**

The District rents the elementary school building from St. Boniface Parish. The current contract began June 1, 2001, and runs through May 31, 2003. During fiscal year 2002, the District paid \$21,000 in rent. The District's final payment of \$21,000 will be due February 1, 2003.

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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**NOTE 11 - 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. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the capital project 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 will make quarterly disbursements to the District as the project is completed. As of June 30, 2002, the total estimated cost of the Construction Project is \$12,601,723, of which OSFC will pay \$11,215,617.

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 Special Revenue funds.

**B.** During fiscal year 1978, the District issued Building Facilities general obligation bonds to provide for building additions and improvements. These bonds bear an interest rate of 5.38% and matured on December 1, 2001. Payments of principal and interest relating to these bonds are recorded as expenditures of the debt service fund.

**C.** During fiscal year 1994, the District entered into an energy conversation loan to provide for energy improvements to various District buildings. The primary source of repayment of this loan is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year-end is accounted for in the general long-term debt account group.

**D.** The following is a description of the District's bonds and loan outstanding as of June 30, 2002:

	Interest Rate	Maturity Date	Bonds/Loan Outstanding 7/1/01	Bonds Issued in 2002	Bonds/Loan Retired in 2002	Bonds/Loan Outstanding 6/30/02
Building facilities bond	5.38%	12/1/01	\$25,000		\$25,000	
Classroom facilities improvement bonds	3.7% to 5.40%	12/1/23	985,000		30,000	\$955,000
H.B. 264 energy loan	5.00%	8/1/04	48,285		17,612	30,673
			\$1,058,285		\$72,612	\$985,673

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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**E.** The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds and the energy conservation loan:

Fiscal Year	G.O. Bonds			Energy Conservation Loan		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$25,000	\$46,850	\$71,850	\$17,612	\$1,534	\$19,146
2004	25,000	45,900	70,900	13,061	653	13,714
2005	30,000	44,913	74,913			
2006	30,000	43,713	73,713			
2007	30,000	42,498	72,498			
2008-2012	175,000	192,469	367,469			
2013-2017	220,000	149,290	369,290			
2018-2022	285,000	84,510	369,510			
2023-2024	135,000	11,070	146,070			
Total	<u>\$955,000</u>	<u>\$661,213</u>	<u>\$1,616,213</u>	<u>\$30,673</u>	<u>\$2,187</u>	<u>\$32,860</u>

**F.** During the year ended June 30, 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance 7/1/01	Increase	Decrease	Balance 6/30/02
Compensated absences	\$174,989	\$5,975		\$180,964
Pension obligation payable	27,513	\$27,325	27,513	27,325
Energy conservation loan payable	48,285		17,612	30,673
Bond Anticipation Notes	250,000	190,000	250,000	190,000
General obligation bonds payable	1,010,000		55,000	955,000
Total	<u>\$1,510,787</u>	<u>\$223,300</u>	<u>\$350,125</u>	<u>\$1,383,962</u>

**G. 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, 2002 are a voted debt margin of \$1,823,320 (including available funds of \$67,589) and an unvoted debt margin of \$30,119.

**NOTE 12 - NOTES PAYABLE**

On January 17, 2001, the District issued a \$250,000 bond anticipation note. This note was issued in anticipation of issuance of bonds to pay the local share of school construction and to pay costs of acquiring a site for classroom facilities under the State of Ohio Classroom Facilities Assistance Program. The note matured on January 17, 2002, and had an annual interest rate of 4.15%. The note is a general obligation of the District, for which the District's full faith and credit are pledged for repayment. The principal and interest payments relating to the note are recorded as expenditures in the Classroom Facilities Construction Capital projects fund, and the note was presented as a liability of the General Long-Term Obligations Account Group at June 30, 2001.

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On January 17, 2002, the District issued a \$190,000 bond anticipation note. This note was issued in anticipation of issuance of bonds to pay the local share of school construction and to pay costs of acquiring a site for classroom facilities under the State of Ohio Classroom Facilities Assistance Program. The note matures on January 17, 2003 and bears an annual interest rate of 2.25%. The note is a general obligation of the District, for which the District's full faith and credit are pledged for repayment. This note is presented as a liability of General Long-Term Obligations Account Group.

A summary of the bond anticipation note activity for the year ended June 30, 2002 follows:

	Principal Outstanding 7/1/01	Additions	Reductions	Principal Outstanding 6/30/02
Bond Anticipation Note - 4.15%	\$250,000		\$250,000	
Bond Anticipation Note - 2.25%		\$190,000		\$190,000
Total	<u>\$250,000</u>	<u>\$190,000</u>	<u>\$250,000</u>	<u>\$190,000</u>

**NOTE 13 - COMPENSATED ABSENCES**

Vacation leave accumulated by governmental fund type employees is recorded in the governmental funds as it will be paid with expendable, available resources. Sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group. Sick leave in the proprietary funds is expended when earned.

Upon retirement, a fully vested employee is entitled to 25% 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. At June 30, 2002, the vested benefits for vacation leave for governmental fund type employees totaled \$2,142 and vested benefits for sick leave totaled \$178,822. These amounts represent the non-current portion of the vested benefits and are reported in the general long-term obligations account group. The current portion of vacation leave vested benefits total \$8,090, and has been reported as a liability of the governmental funds. There was no current portion of sick leave for governmental fund types. For proprietary fund types, there were no vested benefits for vacation leave and the vested benefits for sick leave totaled \$2,955. These amounts represent the current and non-current portion of the vested benefits and are reported as a liability of the fund from which the employee is paid.

**NOTE 14 - 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:

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Coverage	Insurer	Limits of Coverage	Deductible
General liability:			
Each occurrence	Harcum-Hyre	\$1,000,000	
Aggregate		3,000,000	
Building and contents	United Insurance Service	5,262,866	\$1,000
Fleet:	Harcum-Hyre		
Comprehensive		1,000,000	
Collision		1,000,000	1,000

**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.

**C. Worker's Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the last fiscal year.

**NOTE 15 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

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	Food Service	Uniform School Supplies	Total
Operating revenue	\$84,132	\$17,840	\$101,972
Operating expenses before depreciation	109,639	19,417	129,056
Depreciation	145		145
Operating loss	(25,652)	(1,577)	(27,229)
Operating grants	14,724		14,724
Federal donated commodities	14,339		14,339
Net income/(loss)	3,708	(1,577)	2,131
Net working capital	9,064	9,675	18,739
Total assets	23,389	9,675	33,064
Total liabilities	18,791		18,791
Total equity	4,598	9,675	14,273
Encumbrances at June 30, 2002		4,077	4,077

**NOTE 16 - 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 administered by the School Employees Retirement Board. 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, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2002; 5.46 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$65,338, \$50,134, and \$46,276, respectively; 54.98 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$29,413, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**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, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. 9.5 percent 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 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$194,334, \$179,851, and \$170,819, respectively; 83.65 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$31,780, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**NOTE 17 - 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 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$62,465 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 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. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$58,061 during the 2002 fiscal year.

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**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances -Budget and Actual - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

Excess of Revenues and Other Financing Sources Over  
(Under) Expenditures and Other Financing Uses

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$57,966	\$93,265	(\$45,267)	(\$4,925,908)
Net adjustment for revenue accruals	(47,624)	2,595	(74,891)	(65,432)
Net adjustment for expenditure accruals	(11,393)	(775)	240,452	(418,133)
Net adjustment for other financing sources (uses)	(7,918)	(7,700)	(169,950)	190,000
Encumbrances (budget basis)	<u>6,082</u>	<u>7,501</u>	<u>4,744,375</u>	
GAAP basis	<u><u>(\$2,887)</u></u>	<u><u>\$94,886</u></u>	<u><u>(\$49,656)</u></u>	<u><u>(\$475,098)</u></u>

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

**B. Litigation**

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

**C. State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 20 - CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the District had the following contractual commitments outstanding related to the Construction Project described in Note 11.A. A summary of the primary contractual commitments follows:

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**  
(Continued)

Contract	Total Contract	Amount Paid	Remaining Commitment
Buehrer Group	\$580,000	\$467,257	\$112,743
Gilbane Co.	541,076	449,659	91,417
Cement Products	53,625	53,230	395
Holcomb's	171,071		171,071
Charles Associates	693,027	580,260	112,767
Farnham Equipment Company	19,920		19,920
G. V. Aikman	194,676		194,676
Hanks Plumbing	652,103	500,250	151,853
Martin Public Seating	115,563		115,563
Rietschlin Construction	715,000	19,918	695,082
Studer-Obringer	4,748,772	3,073,593	1,675,179
Vaughn Industries	2,229,782	1,176,135	1,053,647
Vulcan Fire Protection	120,885	51,610	69,275
Wenger Corporation	13,521		13,521
<b>Total</b>	<b>\$10,849,021</b>	<b>\$6,371,912</b>	<b>\$4,477,109</b>

**NOTE 21 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside cash balance as of June 30, 2001	\$38,527	
Current year set-aside requirement		\$57,197
Current year offsets		(150,000)
Qualifying disbursements	(38,527)	
<b>Total</b>		<b>(\$92,803)</b>

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.

The current year set aside normally required for textbooks and instructional materials was not necessary as the District obtained proper legal approval from the Superintendent, New Riegel Education Association and by a unanimous vote of the Board of Education to appropriate the funds for other purposes.

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**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

New Riegel Local School District  
Seneca County  
44 North Perry Street  
P.O. Box 207  
New Riegel, Ohio 44853-0207

To the Board of Education:

We have audited the financial statements of the New Riegel Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10574-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 27, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-10574-002.

New Riegel Local School District

Seneca County

Report of Independent Accountants on Compliance and on Internal Control

Required by *Government Auditing Standards*

Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 27, 2002.

This report is intended for the information and use of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.



**Jim Petro**  
Auditor of State

November 27, 2002

**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2002**

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

**FINDING NUMBER 2002-10574-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. Expenditures of \$317,355 exceeded appropriations of \$140,000 in the amount of \$177,355 in the Bond Retirement Fund at January 31, 2002. We recommend no expenditures be made unless the money has been lawfully appropriated.

**FINDING NUMBER 2002-10574-002**

**Reportable Condition - Student Activity Funds**

“Fund Raiser Proposal/Fund Raiser Reconciliation Forms” were not prepared for 17 of the 25 fundraisers held in FY02 and the remaining 8 forms were incomplete. Six of the 25 fundraisers held during FY02 were not approved by the Board. These weaknesses could allow fundraisers to be conducted contrary to the wishes of the Board and reduce controls. To improve controls over student activities, it is recommended that all fund raisers be approved by the Board and the “Fund Raiser Proposal/Fund Raiser Reconciliation Form” be completed for all student activity fund raisers and sales. The Treasurer should review the “Fund Raiser Proposal/Fund Raiser Reconciliation Forms” for completeness and accuracy.

NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2001-10574-001	<b>Recommendation</b> Student Activity Funds	No	Some improvement was made in FY02; however, this finding has not been fully corrected and is repeated in this report as finding 2002-10574-002.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**  
\_\_\_\_\_  
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**NEW RIEGEL LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 6, 2003**