

Dave Yost • Auditor of State

NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of New Riegel Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of New Riegel Local School District, Seneca County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, New Riegel Local School District, Seneca County, Ohio, adopted Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*".

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Dave Yost
Auditor of State

February 26, 2013

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The management's discussion and analysis of New Riegel Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The total net assets of the District increased \$387,347 or 17.09% from fiscal year 2010.
- General receipts accounted for \$3,836,681 or 75.15% of total governmental activities receipts. Program specific receipts accounted for \$1,268,922 or 24.85% of total governmental activities receipts.
- The District had \$4,718,256 in disbursements related to governmental activities; \$1,268,922 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily taxes) of \$3,836,681 were adequate to provide for these programs.
- The District's major fund is the general fund. The general fund had total receipts and other financing sources of \$3,593,812 in 2011. The disbursements and other financing uses of the general fund, totaled \$3,304,796 in 2011. The general fund's balance increased \$289,016 or 17.69% from 2010 to 2011.

Using the Basic Financial Statements

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

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

Basis of Accounting

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and Statement of Activities reflect how the District did financially during fiscal year 2011, within the limitations of the cash basis of accounting. The Statement of Net Assets presents the cash balances and investments of the governmental type activities of the District at the fiscal year end. The Statement of Activities compares cash disbursements with program receipts of each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Notes to the Financial Statements

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

The District as a Whole

The table below provides a summary of the District's net assets for 2011 and 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 2,653,382	\$ 2,266,109
Cash with fiscal agent	99	25
	<u>2011</u>	<u>2010</u>
Total assets	<u>\$ 2,653,481</u>	<u>\$ 2,266,134</u>
<u>Net Assets</u>		
Restricted	\$ 788,001	\$ 778,975
Unrestricted	<u>1,865,480</u>	<u>1,487,159</u>
Total net assets	<u>\$ 2,653,481</u>	<u>\$ 2,266,134</u>

The total net assets of the District increased \$387,347, which represents a 17.09% increase from fiscal year 2010. The balance of government-wide unrestricted net assets of \$1,865,480 may be used to meet the government's ongoing obligations to citizens and creditors.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

The table below shows the changes in net assets for fiscal years 2011 and 2010.

	Change in Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
Receipts:		
Program receipts:		
Charges for services and sales	\$ 585,127	\$ 555,781
Operating grants and contributions	683,795	377,428
	<u>1,268,922</u>	<u>933,209</u>
Total program receipts		
General receipts:		
Property taxes	781,237	747,066
Income tax	599,322	586,616
Unrestricted grants	1,682,958	1,897,428
Premium on bonds	46,798	
Sale of bonds	679,999	
Investment earnings	17,789	45,089
Other	28,578	10,471
	<u>3,836,681</u>	<u>3,286,670</u>
Total general receipts		
Total receipts	<u><u>\$ 5,105,603</u></u>	<u><u>\$ 4,219,879</u></u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

	Change in Net Assets (Continued)	
	Governmental Activities 2011	Governmental Activities 2010
	<u>2011</u>	<u>2010</u>
Disbursements:		
Instruction:		
Regular	\$ 1,837,253	\$ 1,888,029
Special	387,271	348,467
Vocational	30,717	44,921
Support services:		
Pupil	90,104	89,453
Instructional staff	89,440	132,897
Board of education	30,614	19,691
Administration	388,735	298,676
Fiscal	210,443	184,107
Operations and maintenance	343,943	410,264
Pupil transportation	163,695	136,299
Food service operations	155,971	151,432
Other non instructional services		2,099
Extracurricular	188,486	177,910
Facilities acquisition and construction	13,859	173,178
Debt service:		
Principal retirement	35,000	35,000
Interest and fiscal charges	25,928	37,809
Bond issuance costs	28,333	
Payment to refunded bond escrow	698,464	
Total disbursements	<u>4,718,256</u>	<u>4,130,232</u>
Change in net assets	387,347	89,647
Net assets at beginning of year	<u>2,266,134</u>	<u>2,176,487</u>
Net assets at end of year	<u>\$ 2,653,481</u>	<u>\$ 2,266,134</u>

Governmental Activities

Governmental net assets increased by \$387,347 in 2011 from 2010. Total governmental disbursements of \$4,718,256 offset by program receipts of \$1,268,922 and general receipts of \$3,836,681. Program receipts supported 26.89% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 60.00% of total governmental receipts. Real estate property is reappraised every six years.

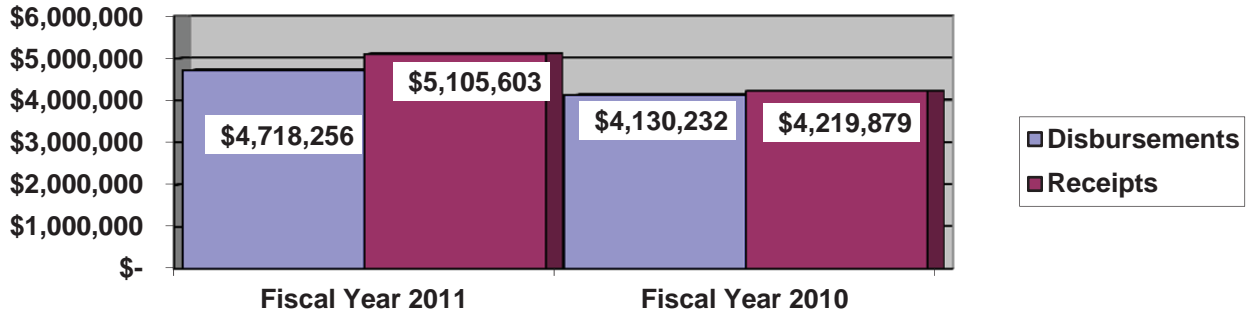
The largest disbursement of the District is for instructional programs. Instructional disbursements totaled \$2,255,241 or 47.80% of total governmental disbursements for fiscal year 2011.

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2011 and 2010.

NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)

Governmental Activities - Total Receipts vs. Total Disbursements



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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

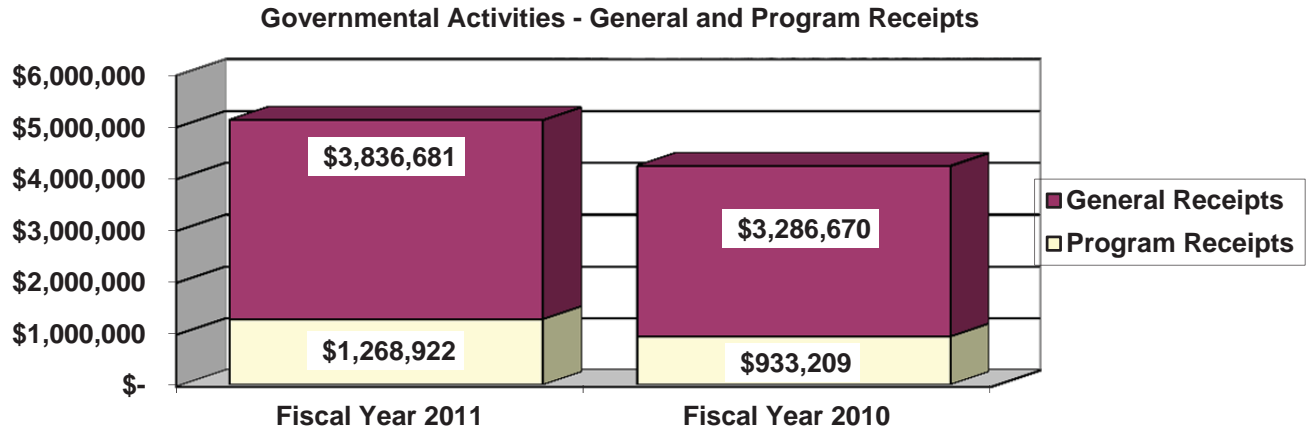
	Governmental Activities			
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Disbursements:				
Instruction:				
Regular	\$ 1,837,253	\$ 1,408,451	\$ 1,888,029	\$ 1,495,836
Special	387,271	41,829	348,467	201,375
Vocational	30,717	30,116	44,921	42,143
Support services:				
Pupil	90,104	71,816	89,453	69,950
Instructional staff	89,440	87,495	132,897	124,678
Board of education	30,614	21,189	19,691	9,924
Administration	388,735	388,482	298,676	298,383
Fiscal	210,443	210,443	184,107	184,107
Operations and maintenance	343,943	200,729	410,264	295,288
Pupil transportation	163,695	67,396	136,299	124,954
Food service operations	155,971	1,591	151,432	(2,952)
Other non instructional services			2,099	2,099
Extracurricular	188,486	118,213	177,910	105,251
Facilities acquisition and construction	13,859	13,859	173,178	173,178
Debt service:				
Principal retirement	35,000	35,000	35,000	35,000
Interest and fiscal charges	25,928	25,928	37,809	37,809
Payment to refunded bond escrow	28,333	28,333		
Bond issuance costs	698,464	698,464		
Total	\$ 4,718,256	\$ 3,449,334	\$ 4,130,232	\$ 3,197,023

The dependence upon general receipts for instructional activities is apparent; with 65.64% of disbursements supported through taxes and other general receipts during 2011. For all governmental activities, general receipts support is 73.11%. The District's taxpayers, as a whole, are by far the primary support of the District's students.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities receipts for fiscal year 2011 and 2010.



The District's Funds

The June 30, 2010 fund balance of the general fund and other governmental funds were restated for fund reclassifications required for the implementation of GASB Statement No. 54 (See Note 3.B for detail). The District's governmental funds reported a combined fund cash balance of \$2,653,481, which is \$387,347 above last year's restated total of \$2,266,134. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2011 and June 30, 2010, for all major and nonmajor governmental funds.

	Fund Balance June 30, 2011	(Restated) Fund Balance June 30, 2010	Increase
General	\$ 1,922,562	\$ 1,633,546	\$ 289,016
Other governmental funds	730,919	632,588	98,331
Total	<u>\$ 2,653,481</u>	<u>\$ 2,266,134</u>	<u>\$ 387,347</u>

General Fund

The general fund, the District's only major fund, had total receipts and other financing sources of \$3,593,812 in 2011. The disbursements and other financing uses of the general fund, totaled \$3,304,796 in 2011. The general fund's balance increased \$289,016 or 17.69% from 2010 to 2011.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

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

	2011 Amount	(Restated) 2010 Amount	Percentage Change
<u>Receipts:</u>			
Taxes	\$ 1,293,200	\$ 1,241,185	4.19 %
Tuition	376,384	338,194	11.29 %
Earnings on investments	16,156	41,167	(60.75) %
Other local revenues	65,823	48,258	36.40 %
Intergovernmental - State	1,842,071	1,871,348	(1.56) %
Total	<u>\$ 3,593,634</u>	<u>\$ 3,540,152</u>	1.51 %

Earnings on investments decreased due to lower interest earnings on investments. During 2011, tuition receipts increased \$38,190 or 11.29% due to the increase in the number of out of district students. Other local revenues increased \$17,565 or 36.40% due to self-insurance co-pay. All other revenue remained comparable to 2010.

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

	2011 Amount	(Restated) 2010 Amount	Percentage Change
<u>Disbursements:</u>			
Instruction	\$ 1,979,820	\$ 2,060,984	(3.94) %
Support services	1,129,134	1,064,734	6.05 %
Operation of non instruction		2,099	(100.00) %
Extracurricular	120,842	110,287	9.57 %
Total	<u>\$ 3,229,796</u>	<u>\$ 3,238,104</u>	(0.26) %

All disbursements remained comparable to 2010. Overall, disbursements decreased \$8,308 from 2010.

Budgeting Highlights - General Fund

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

For the general fund, final budgeted receipts were the same as original budgeted receipts of \$3,516,760. Actual receipts of \$3,584,262 were higher than final budgeted receipts by \$67,502. The final budgeted disbursements and other financing uses of \$3,568,234 were higher than original budgeted disbursements and other financing uses of \$3,473,734. The actual budgeted disbursements and other financing uses of \$3,279,408 were \$288,826 less than the final budgeted disbursements and other financing uses.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

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

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2011 and 2010:

	Governmental Activities 2011	Governmental Activities 2010
General obligation bonds		\$ 715,000
2011 Series bond refunding	<u>\$ 682,085</u>	<u> </u>
Total long-term obligations	<u><u>\$ 682,085</u></u>	<u><u>\$ 715,000</u></u>

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

Current Financial Related Activities

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

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

Formula ADM decreased from 441 in fiscal year 2003 to 352 in fiscal year 2011. This decrease in resident enrollment caused the District to be funded under state funding guarantees since fiscal year 2004. In fiscal year 2011, public schools in Ohio were funded using the Evidence Based Model (EBM) developed in H.B. 1 (Ohio's fiscal year 2011 State budget). In fiscal year 2011, the District's state funding increased \$1,311 over the prior year.

In fiscal year 2011, the District received funding from The American Recovery and Reinvestment Act (ARRA) in state stabilization funds (\$147,325), IDEA Part B funds for special education (\$62,158) and Title I funds (\$11,358). This funding is not available in future years.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Contacting the District's Financial Management

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

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**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,653,382
Cash with fiscal agent	99
	99
Total assets	\$ 2,653,481
Net Assets:	
Restricted for:	
Locally funded programs	\$ 3,069
State funded programs	4,635
Federally funded programs	7,666
Student activities	11,612
Capital projects	190,573
Classroom facilities maintenance	262,979
Debt service	225,548
Other purposes	81,919
Unrestricted	1,865,480
Total net assets	\$ 2,653,481

See accompanying notes to the basic financial statements

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 1,837,253	\$ 336,607	\$ 92,195	\$ (1,408,451)
Special	387,271	57,794	287,648	(41,829)
Vocational	30,717		601	(30,116)
Support services:				
Pupil	90,104		18,288	(71,816)
Instructional staff	89,440		1,945	(87,495)
Board of education	30,614		9,425	(21,189)
Administration	388,735		253	(388,482)
Fiscal	210,443			(210,443)
Operations and maintenance	343,943	7,840	135,374	(200,729)
Pupil transportation	163,695	6,218	90,081	(67,396)
Operation of non-instructional services:				
Food service operations	155,971	107,734	46,646	(1,591)
Extracurricular activities	188,486	68,934	1,339	(118,213)
Facilities acquisition and construction	13,859			(13,859)
Debt service:				
Principal retirement	35,000			(35,000)
Interest and fiscal charges	25,928			(25,928)
Bond issuance costs	28,333			(28,333)
Payment to refunded bond escrow agent	698,464			(698,464)
Total governmental activities	\$ 4,718,256	\$ 585,127	\$ 683,795	(3,449,334)

General Receipts:

Property taxes levied for:	
General purposes	693,878
Special revenue	14,267
Debt service	73,092
School district income tax	599,322
Grants and entitlements not restricted	
to specific programs	1,682,958
Premium on bonds	46,798
Sale of refunding bonds	679,999
Investment earnings	17,789
Miscellaneous	28,578
Total general receipts	3,836,681
Change in net assets	387,347
Net assets at beginning of year	2,266,134
Net assets at end of year	\$ 2,653,481

See accompanying notes to the basic financial statements

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,865,480	\$ 730,820	\$ 2,596,300
Cash with fiscal agent		99	99
Restricted assets:			
Equity in pooled cash and cash equivalents	57,082		57,082
Total assets	\$ 1,922,562	\$ 730,919	\$ 2,653,481
Fund Balances:			
Restricted:			
Debt service		\$ 225,548	\$ 225,548
Classroom facilities maintenance		262,979	262,979
Food service operations		24,837	24,837
Extracurricular		11,612	11,612
Special education		1,459	1,459
Targeted academic assistance		6,108	6,108
Other purposes		7,803	7,803
Textbooks	\$ 52,952		52,952
Bus purchase	4,130		4,130
Committed:			
Termination benefits	36,251		36,251
Assigned:			
Student instruction	1,644		1,644
Student and staff support	10,686		10,686
Capital improvements		190,573	190,573
Public school support	3,586		3,586
Health insurance reserve	65,951		65,951
Unassigned	1,747,362		1,747,362
Total fund balances	\$ 1,922,562	\$ 730,919	\$ 2,653,481

See accompanying notes to the basic financial statements

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
From local sources:			
Property taxes	\$ 693,878	\$ 87,359	\$ 781,237
Income taxes	599,322		599,322
Tuition	376,384		376,384
Charges for services		107,734	107,734
Earnings on investments	16,156	1,777	17,933
Extracurricular	11,817	63,673	75,490
Classroom materials and fees	18,017		18,017
Contributions and donations	55	1,493	1,548
Rental income	7,502		7,502
Other local revenues	28,432	91	28,523
Intergovernmental - state	1,842,071	35,865	1,877,936
Intergovernmental - federal		487,180	487,180
Total receipts	<u>3,593,634</u>	<u>785,172</u>	<u>4,378,806</u>
Disbursements:			
Current:			
Instruction:			
Regular	1,732,535	104,718	1,837,253
Special	216,568	170,703	387,271
Vocational	30,717		30,717
Support services:			
Pupil	71,818	18,286	90,104
Instructional staff	87,524	1,916	89,440
Board of education	21,189	9,425	30,614
Administration	387,998	737	388,735
Fiscal	208,868	1,575	210,443
Operations and maintenance	199,613	144,330	343,943
Pupil transportation	152,124	11,571	163,695
Operation of non-instructional services:			
Food service operations		155,971	155,971
Extracurricular activities	120,842	67,644	188,486
Facilities acquisition and construction		13,859	13,859
Debt service:			
Principal retirement		35,000	35,000
Interest and fiscal charges		25,928	25,928
Bond issuance costs		28,333	28,333
Total disbursements	<u>3,229,796</u>	<u>789,996</u>	<u>4,019,792</u>
Excess (deficiency) of receipts over (under) disbursements	<u>363,838</u>	<u>(4,824)</u>	<u>359,014</u>
Other financing sources (uses):			
Sale of refunding bonds		679,999	679,999
Premium on bonds		46,798	46,798
Transfers in	178	75,000	75,178
Transfers out	(75,000)	(178)	(75,178)
Payment to refunded bond escrow agent		(698,464)	(698,464)
Total other financing sources (uses)	<u>(74,822)</u>	<u>103,155</u>	<u>28,333</u>
Net change in fund balances	289,016	98,331	387,347
Fund balances at beginning of year (restated)	<u>1,633,546</u>	<u>632,588</u>	<u>2,266,134</u>
Fund balances at end of year	<u>\$ 1,922,562</u>	<u>\$ 730,919</u>	<u>\$ 2,653,481</u>

See accompanying notes to the basic financial statements

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Property taxes	\$ 681,560	\$ 681,560	\$ 693,878	\$ 12,318
Income taxes	586,600	586,600	599,322	12,722
Tuition	317,400	317,400	376,384	58,984
Earnings on investments	35,000	35,000	16,156	(18,844)
Extracurricular	2,500	2,500	2,500	
Classroom materials and fees	17,000	17,000	18,017	1,017
Rental income	7,000	7,000	7,502	502
Other local revenues	7,000	7,000	28,432	21,432
Intergovernmental - State	1,862,700	1,862,700	1,842,071	(20,629)
Total receipts	<u>3,516,760</u>	<u>3,516,760</u>	<u>3,584,262</u>	<u>67,502</u>
Disbursements:				
Current:				
Instruction:				
Regular	1,823,072	1,889,699	1,706,399	183,300
Special	222,761	229,394	216,568	12,826
Vocational	21,500	21,500	30,957	(9,457)
Support services:				
Pupil	73,700	76,184	71,818	4,366
Instructional staff	100,047	100,047	91,772	8,275
Board of education	23,650	23,650	21,189	2,461
Administration	393,238	407,125	387,998	19,127
Fiscal	212,142	217,011	209,008	8,003
Operations and maintenance	274,624	274,624	205,777	68,847
Pupil transportation	142,875	142,875	151,993	(9,118)
Extracurricular activities	111,125	111,125	109,472	1,653
Total disbursements	<u>3,398,734</u>	<u>3,493,234</u>	<u>3,202,951</u>	<u>290,283</u>
Excess of receipts over disbursements	118,026	23,526	381,311	357,785
Other financing uses:				
Transfers out	(75,000)	(75,000)	(76,457)	(1,457)
Net change in fund balance	43,026	(51,474)	304,854	356,328
Fund balance at beginning of year	1,549,308	1,549,308	1,549,308	
Prior year encumbrances appropriated	16,233	16,233	16,233	
Fund balance at end of year	<u>\$ 1,608,567</u>	<u>\$ 1,514,067</u>	<u>\$ 1,870,395</u>	<u>\$ 356,328</u>

See accompanying notes to the basic financial statements

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
JUNE 30, 2011**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 502	\$ 46,325
Net assets:		
Held in trust for scholarships	\$ 502	
Held for student activities		\$ 38,692
Held for employee benefits	502	7,633
Total net assets	\$ 502	\$ 46,325

See accompanying notes to the basic financial statements

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2
Gifts and contributions	263
Total additions	265
Deductions:	
Scholarships awarded	1,000
Change in net assets	(735)
Net assets at beginning of year	1,237
Net assets at end of year	\$ 502

See accompanying notes to the basic financial statements

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**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - REPORTING ENTITY

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

The District was established in 1841 through the consolidation of existing land areas and school districts. The District serves an area approximately 30 square miles. It is located in Seneca County and includes the entire Village of New Riegel. The District is the 653th largest in the State of Ohio (among 918 school districts) in terms of enrollment. It is staffed by 22 classified employees, 33 certified teaching personnel and 3 administrative employees who provide services to 433 students in grades K through 12 and other community members. The District currently operates one elementary, one middle school and one comprehensive high school.

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

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units.

C. Other Organizations

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 1 - REPORTING ENTITY - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

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

Vanguard-Sentinel Technology and Career Centers

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

Northwestern Ohio Educational Research Council, Inc. (NOERC)

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

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. The District paid \$19,636 during fiscal year 2011 for natural gas. Financial information is available from the North Point Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 1 - REPORTING ENTITY - (Continued)

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

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

B. Fund Accounting

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

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

GOVERNMENTAL FUNDS

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

General Fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

FIDUCIARY FUNDS

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

C. Basis of Presentation

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

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

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

D. Budgetary Process

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

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

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

E. Cash and Investments

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

During fiscal year 2011, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in the STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the fund from which the investment was made. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$16,156, which includes \$3,400 assigned from other funds.

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

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

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

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

L. Fund Cash Balance

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

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

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

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

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

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

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

M. Net Assets

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

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

N. Interfund Activity

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 1,565,541	\$ 700,593	\$ 2,266,134
Fund reclassifications:			
Public school support fund	5,850	(5,850)	
Termination benefits fund	62,155	(62,155)	
Total fund reclassifications	68,005	(68,005)	
Restated fund balance at July 1, 2010	\$ 1,633,546	\$ 632,588	\$ 2,266,134

The fund reclassifications did not have an effect on net cash assets as previously reported.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

C. Compliance

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

Net Change in Fund Balance	
	<u>General fund</u>
Budget basis	\$ 304,854
Funds budgeted elsewhere **	(28,168)
Adjustment for encumbrances	<u>12,330</u>
Cash basis	<u><u>\$ 289,016</u></u>

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

NOTE 5 - DEPOSITS AND INVESTMENTS

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstance, corporate debt interest rate in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash with Fiscal Agent

The District had \$99 in cash held by the North Central Ohio Educational Service Center which is included on the balance sheet as "Cash with fiscal agent". The Educational Service Center holds this flow through grant money for the District along with that of other school districts and therefore is not included in the cash balances below.

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$2,530,552. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$2,088,371 of the District's bank balance of \$2,588,371 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2011, the District had the following investments and maturities:

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Cost</u>	<u>Maturities 6 months or less</u>
STAR Ohio	<u>\$ 169,657</u>	<u>\$ 169,657</u>

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Cost</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 169,657</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,530,552
Investments	169,657
Cash with fiscal agent	<u>99</u>
Total	<u>\$ 2,700,308</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,653,481
Private-purpose trust funds	502
Agency funds	<u>46,325</u>
Total	<u>\$ 2,700,308</u>

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund statements:

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 6 - INTERFUND TRANSACTIONS – (Continued)

Transfers to nonmajor governmental funds from:	<u>Amount</u>
General fund	\$ 75,000
Transfers to general fund from:	
Nonmajor governmental funds	<u>178</u>
Total	<u><u>\$ 75,178</u></u>

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

Transfers from the nonmajor governmental funds to the general fund were made to reimburse the general fund for termination benefits from the food service fund.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 7 - PROPERTY TAXES- (Continued)

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on the value as of December 31, 2010. Amounts paid by multi-county taxpayers were due September 20. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, with the remainder payable by September 20.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 35,118,460	95.14	\$ 35,512,260	94.78
Public utility personal	1,793,130	4.86	1,955,760	5.22
Total	\$ 36,911,590	100.00	\$ 37,468,020	100.00
Tax rate per \$1,000 of assessed valuation	\$ 40.50		\$ 40.50	

NOTE 8 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of three-quarters of one percent (0.75%) for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. An additional tax of three-quarters of one percent (0.75%) was passed by the voters on May 2, 2006. This additional tax is for five years beginning January 1, 2007, for the purpose of current expenses. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund. Total income tax revenue for fiscal year 2011 equaled \$599,322.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS

- A. Classroom Facilities Improvement Bonds - Series 2001 - 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. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund, a nonmajor governmental fund. The source of payment is derived from a current 4.32 mil bonded debt tax levy.

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. During fiscal year 2011, the District made \$35,000 in principal payments. The District refunded the balance of the series 2001 general obligation bonds (\$680,000) in fiscal year 2011. This refunding was undertaken to reduce the total debt service payments by \$119,069 and resulted in an economic gain of \$90,736.

In conjunction with the 4.32 mils which support the bond issue, the District also passed in fiscal year 2001 a 0.5 mil levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the nonmajor governmental funds.

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

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

These bonds were issued with a premium of \$46,798, which is reported as another financing source on the fund financial statements. The issuance costs of \$28,333 are reported as a disbursement on the fund financial statements.

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

Principal and interest requirements to retire the classroom facilities improvement refunding bonds at June 30, 2011 are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Classroom Facilities Improvement Refunding Bonds - Series 2010</u>					
	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 55,000	\$ 16,415	\$ 71,415			
2013	55,000	15,755	70,755			
2014	50,000	14,975	64,975			
2015	55,000	14,030	69,030			
2016	55,000	12,903	67,903			
2017 - 2021	180,000	44,700	224,700	\$ 34,999	\$ 85,001	\$ 120,000
2022 - 2024	195,000	11,115	206,115			
Total	<u>\$ 645,000</u>	<u>\$ 129,893</u>	<u>\$ 774,893</u>	<u>\$ 34,999</u>	<u>\$ 85,001</u>	<u>\$ 120,000</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. During fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2010	Additions	Reductions	Balance Outstanding June 30, 2011	Amounts Due in One Year
Governmental activities:					
General obligation bonds payable:					
Classroom facilities improvement bonds, series 2001	\$ 715,000		\$ (715,000)		
Classroom facilities improvement refunding bonds, series 2010					
Current interest term bonds		\$ 645,000		\$ 645,000	\$ 55,000
Capital appreciation bonds (CABs)		34,999		34,999	
Accreted interest on CAB's		2,086		2,086	
Total long-term obligations, governmental activities	<u>\$ 715,000</u>	<u>\$ 682,085</u>	<u>\$ (715,000)</u>	<u>\$ 682,085</u>	<u>\$ 55,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$2,917,671 (including available funds of \$225,548) and an unvoted debt margin of \$37,468.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 10 - RISK MANAGEMENT – (Continued)

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:	Phelan Insurance		
Each occurrence		\$ 1,000,000	
Aggregate		2,000,000	
Building and contents	Phelan Insurance	20,460,948	\$1,000
Fleet:	Phelan Insurance		
Comprehensive		1,000,000	
Collision		1,000,000	1,000
Umbrella:	Phelan Insurance		
Each Occurrence		2,000,000	
Aggregate		2,000,000	

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

B. Workers' Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Self Insurance

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 10 - RISK MANAGEMENT – (Continued)

	FY2011
Cash and investments	\$ 65,951
Actuarial liabilities	\$ 22,089

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$52,027, \$54,851 and \$37,714, respectively; 57.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$215,397, \$207,628 and \$203,137 respectively; 84.35 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B

**NEW RIEGEL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)

Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$12,844, \$8,370 and \$23,558, respectively; 57.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$3,348, \$3,262 and \$3,112, respectively; 57.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$16,569, \$15,971 and \$15,626, respectively; 84.35 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 13 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 14 - STATUTORY RESERVES

The District is required by State law to 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, 2011, the reserve activity was as follows:

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 14 - STATUTORY RESERVES - (Continued)

	Textbooks	Capital Improvements
Set-aside reserve balance June 30, 2010	\$ 74,252	
Current year set-aside requirement	56,805	\$ 56,805
Current year qualifying expenditures	(78,105)	
Current year offsets		(75,000)
Total	\$ 52,952	\$ (18,195)
Balance carried forward to fiscal year 2012	\$ 52,952	
Set-aside reserve balance June 30, 2011	\$ 52,952	

For the textbooks reserve, qualifying expenditures exceeding the set-aside requirement may be carried forward to the next fiscal year. For the capital improvements reserve, qualifying expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2011 follows:

Amount restricted for textbooks	\$ 52,952
Amount restricted for school bus purchases	4,130
Total restricted cash	\$ 57,082

NOTE 15 - OTHER COMMITMENTS

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

Fund Type	Year-End Encumbrances
General fund	\$ 12,390
Other nonmajor governmental	19,883
Total	\$ 32,273

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of New Riegel Local School District, Seneca County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2013, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles and adopted Government Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

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

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

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



Dave Yost
Auditor of State

February 26, 2013

NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2011

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

FINDING NUMBER 2011-001

Noncompliance Citation

Ohio Revised Code, § 117.38, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Administrative Code § 117-2-03 (B), which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles in the United States of America.

The District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its statements in accordance with accounting principles generally accepted in the United States of America.

Officials' Response

Officials for the District believe that since the District operates on a cash basis throughout the year, the other comprehensive basis of accounting statements included in this report provide the reader with an accurate depiction of the District's financial activity of the audit period and fairly represent the District's cash basis financial position as of June 30, 2011.

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NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Administrative Code §117-2-03(B), for not following generally accepted accounting principles.	No	Repeated as Finding 2011-001 in this report.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether New Riegel Local School District, Seneca County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on January 10, 2011, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 26, 2013

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NEW RIEGEL LOCAL SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2013**