



**Auditor of State
Betty Montgomery**

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Riegel Local School District, Seneca County, (the District), as of and for the year ended June 30, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Riegel Local School District, Seneca County, Ohio, as of June 30, 2004, and the respective changes in financial position, where applicable, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

March 3, 2005

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The management's discussion and analysis of the New Riegel Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$711,934 which represents a 5.38 percent decrease from 2003.
- General revenues accounted for \$3,286,374 in revenue. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$414,399 or 12.65 percent. Total revenues of the District were \$3,275,799.
- The District had \$4,412,707 in expenses related to governmental activities; \$414,399 of these expenses was offset by program specific charges for services, grants, or contributions. During 2004, the District refunded grant funds to the Ohio School Facilities Commission in the amount of \$424,974. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$3,286,374 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$3,067,914 in revenues and \$3,103,206 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance decreased \$35,292 from \$472,872 to \$437,580.
- The debt service fund had \$203,424 in revenues and other financing sources and \$200,443 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$2,981 from \$60,661 to \$63,642.

Using these Basic Financial Statements

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for a scholarship program. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

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

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

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

Net Assets	
	Governmental Activities 2004
Assets	
Current and other assets	\$ 1,985,934
Capital assets	12,752,591
<i>Total assets</i>	14,738,525
Liabilities	
Current liabilities	1,051,255
Long-term liabilities	1,172,466
<i>Total liabilities</i>	2,223,721
Net Assets	
Invested in capital assets, net of related debt	11,787,591
Restricted	429,385
Unrestricted	297,828
<i>Total net assets</i>	\$ 12,514,804

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$12,514,804. Of this total, \$297,828 is unrestricted in use.

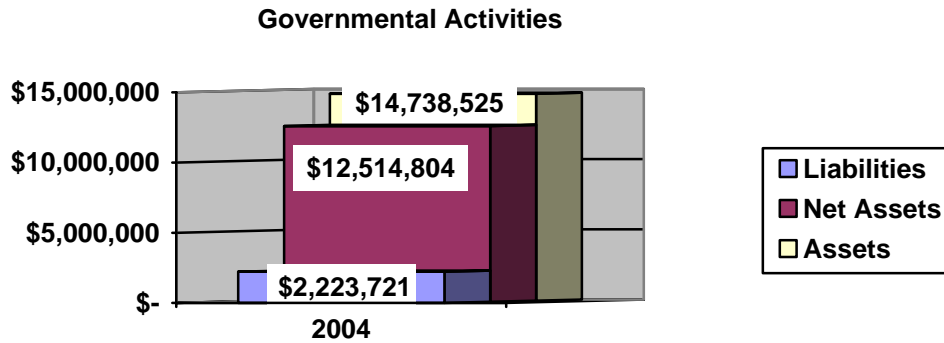
At year-end, capital assets represented 86.53 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$11,787,591. These capital assets are used to provide services to the students and are not available for future

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$429,385, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$297,828 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets	
	Governmental Activities 2004
Revenues	
Program revenues:	
Charges for services and sales	\$ 183,081
Operating grants and contributions	221,143
Capital grants and contributions	10,175
General revenues:	
Property taxes	797,520
Income taxes	250,809
Grants and entitlements	2,177,601
Investment earnings	19,880
Other	40,564
<i>Total revenues</i>	<u>3,700,773</u>

(Continued)

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Change in Net Assets (Continued)	
	Governmental Activities 2004
Expenses	
Program expenses:	
Instruction:	
Regular	\$ 1,767,182
Special	330,267
Vocational	72,735
Support services:	
Pupil	114,577
Instructional staff	87,534
Board of education	13,666
Administration	290,281
Fiscal	133,233
Operations and maintenance	652,020
Pupil transportation	140,559
Food service operations	124,363
Extracurricular activities	214,149
Interest and fiscal charges	47,167
Refund of Ohio school facilities grant	424,974
<i>Total expenses</i>	4,412,707
Change in net assets	(711,934)
<i>Ending net assets</i>	\$ 12,514,804

Governmental Activities

Net assets of the District's governmental activities decreased \$711,934. Total governmental expenses of \$4,412,707 were offset by program revenues of \$414,399 and general revenues of \$3,286,374. Program revenues supported 10.39 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 98.48 percent of total governmental revenue.

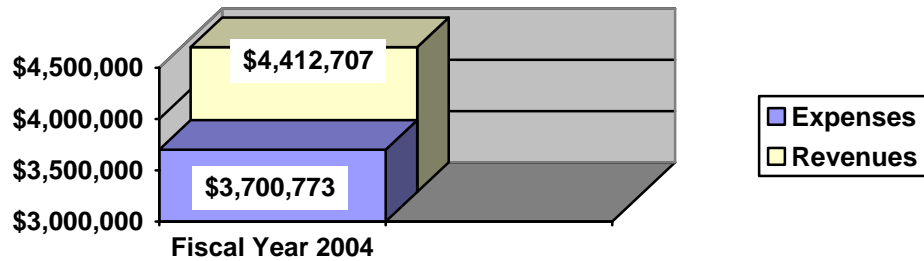
The largest expense of the District is for instructional programs. Instruction expenses totaled \$2,170,184 or 49.18 percent of total governmental expenses for fiscal 2004.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

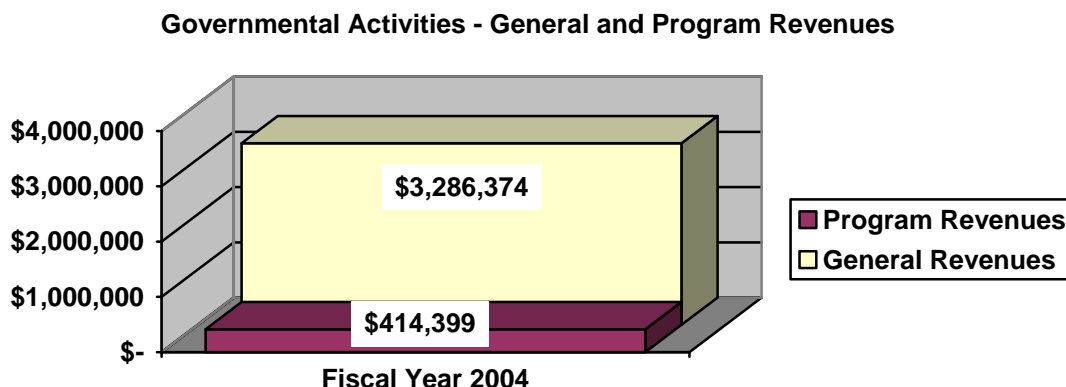
Governmental Activities		
	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses		
Instruction:		
Regular	\$ 1,767,182	\$ 1,672,013
Special	330,267	233,716
Vocational	72,735	72,735
Support services:		
Pupil	114,577	99,538
Instructional staff	87,534	76,903
Board of education	13,666	13,666
Administration	290,281	289,605
Fiscal	133,233	131,079
Operations and maintenance	652,020	644,426
Pupil transportation	140,559	135,165
Food service operations	124,363	9,890
Extracurricular activities	214,149	147,431
Interest and fiscal charges	47,167	47,167
Refund of Ohio school facilities grant	424,974	424,974
<i>Total expenses</i>	<u>\$ 4,412,707</u>	<u>\$ 3,998,308</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 91.17 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.61 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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



The District's Funds

The District's governmental funds reported a combined fund balance of \$917,438, which is lower than last year's total of \$1,538,142. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance 6/30/04	Fund Balance 6/30/03	Increase (Decrease)	Percentage Change
General	\$ 437,580	\$ 472,872	\$ (35,292)	(7.46) %
Debt Service	63,642	60,661	2,981	4.91 %
Other Governmental	416,216	1,004,609	(588,393)	(58.57) %
<i>Total</i>	<u>\$ 917,438</u>	<u>\$ 1,538,142</u>	<u>\$ (620,704)</u>	(40.35) %

General Fund

The District's general fund balance decreased \$35,292 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to transfers out to other funds. Revenues exceed expenditures for fiscal year 2004 by \$59,853. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

	2004 Amount	2003 Amount	Increase (Decrease)	Percentage Change
Revenues				
Taxes	\$ 903,673	\$ 875,878	\$ 27,795	3.17 %
Earnings on investments	22,850	16,141	6,709	41.56 %
Intergovernmental	2,134,492	2,179,325	(44,833)	(2.06) %
Other revenues	6,899	21,996	(15,097)	(68.64) %
<i>Total</i>	<u>\$ 3,067,914</u>	<u>\$ 3,093,340</u>	<u>\$ (25,426)</u>	(0.82) %
Expenditures				
Instruction	\$ 1,778,405	\$ 1,654,374	\$ 124,031	7.50 %
Support services	1,130,984	1,030,182	100,802	9.78 %
Extracurricular activities	84,966	78,457	6,509	8.30 %
Facilities acquisition and construction	-	15,750	(15,750)	(100.00) %
Debt service	13,706	-	13,706	100.00 %
<i>Total</i>	<u>\$ 3,008,061</u>	<u>\$ 2,778,763</u>	<u>\$ 229,298</u>	8.25 %

Debt Service Fund

The debt service fund had \$143,424 in revenues and \$60,000 in proceeds from notes sold and \$200,443 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$2,981 from \$60,661 to \$63,642.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$3,072,604 and final budgeted revenues and other financing sources were \$3,064,126. Actual revenues and other financing sources for fiscal 2004 was \$3,069,448. This represents a \$5,322 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$3,394,522 were lowered to \$3,388,002 in the final budget. The actual budget basis expenditures for fiscal year 2004 totaled \$3,151,009, which was \$236,993 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$12,752,591 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$ 119,305	\$ 119,305
Land improvements	1,732	2,048
Building and improvements	12,348,070	12,191,364
Furniture and equipment	168,863	182,849
Vehicles	114,621	73,747
Construction in progress	-	410,996
<i>Total</i>	<u>\$ 12,752,591</u>	<u>\$ 12,980,309</u>

The overall decrease in capital assets of \$227,718 is due to depreciation expense of \$292,476 and disposals of \$410,996 (net of accumulated depreciation) exceeding capital outlays of \$475,754 in the fiscal year.

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

Debt Administration

At June 30, 2004, the District had \$905,000 in general obligation bonds and \$60,000 in bond anticipation notes outstanding. Of this total, \$90,000 is due within one year and \$875,000 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities 2004	Governmental Activities 2003
General obligation bonds	\$ 905,000	\$ 930,000
Energy conservation loan	-	13,061
Bond anticipation notes	60,000	125,000
<i>Total</i>	<u>\$ 965,000</u>	<u>\$ 1,068,061</u>

At June 30, 2004, the District's overall legal debt margin was \$2,100,323, and an unvoted debt margin of \$32,796.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Contacting the District's Financial Management

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,087,270
Cash with fiscal agent	7
Receivables:	
Taxes	871,881
Accounts	665
Intergovernmental	6,796
Accrued interest	8
Prepayments	12,542
Materials and supplies inventory	6,765
Capital assets:	
Land	119,305
Depreciable capital assets, net	12,633,286
<i>Capital assets, net</i>	12,752,591
<i>Total assets</i>	14,738,525
 Liabilities:	
Accounts payable	4,099
Accrued wages and benefits	252,236
Pension obligation payable	68,649
Intergovernmental payable	6,123
Deferred revenue	717,004
Accrued interest payable	3,144
Long-term liabilities:	
Due within one year	136,254
Due within more than one year	1,036,212
<i>Total liabilities</i>	2,223,721
 Net Assets:	
Invested in capital assets, net of related debt	11,787,591
Restricted for:	
Capital projects	178,303
Debt service	65,162
Other purposes	185,920
Unrestricted	297,828
<i>Total net assets</i>	\$ 12,514,804

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses
Governmental activities:	
Instruction:	
Regular	\$ 1,767,182
Special	330,267
Vocational	72,735
Support services:	
Pupil	114,577
Instructional staff	87,534
Board of education	13,666
Administration	290,281
Fiscal	133,233
Operations and maintenance	652,020
Pupil transportation	140,559
Operation of non-instructional services:	
Food service operations	124,363
Extracurricular activities	214,149
Interest and fiscal charges	47,167
Refund of Ohio School Facilities Grant	424,974
<i>Total governmental activities</i>	\$ 4,412,707

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 17,143	\$ 67,851	\$ 10,175	\$ (1,672,013)
-	96,551	-	(233,716)
-	-	-	(72,735)
-	15,039	-	(99,538)
-	10,631	-	(76,903)
-	-	-	(13,666)
-	676	-	(289,605)
-	2,154	-	(131,079)
782	6,812	-	(644,426)
5,106	288	-	(135,165)
93,332	21,141	-	(9,890)
66,718	-	-	(147,431)
-	-	-	(47,167)
-	-	-	(424,974)
<u>\$ 183,081</u>	<u>\$ 221,143</u>	<u>\$ 10,175</u>	<u>(3,998,308)</u>

General Revenues:

Property taxes levied for:	
General purposes	654,545
Special revenue	14,255
Debt service	128,720
School district income tax	250,809
Grants and entitlements not restricted to specific programs	2,177,601
Investment earnings	19,880
Miscellaneous	40,564
<i>Total general revenues</i>	<u>3,286,374</u>
<i>Change in net assets</i>	(711,934)
Net assets at beginning of year (restated)	<u>13,226,738</u>
<i>Net assets at end of year</i>	<u>\$ 12,514,804</u>

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 565,646	\$ 53,673	\$ 459,377	\$ 1,078,696
Cash with fiscal agent	-	-	7	7
Receivables:				
Taxes	729,992	127,720	14,169	871,881
Accounts	90	-	575	665
Intergovernmental	5,000	-	1,796	6,796
Accrued interest	8	-	-	8
Prepayments	12,542	-	-	12,542
Materials and supplies inventory	4,734	-	2,031	6,765
Restricted assets:				
Equity in pooled cash and cash equivalents	8,574	-	-	8,574
Total assets	<u>\$ 1,326,586</u>	<u>\$ 181,393</u>	<u>\$ 477,955</u>	<u>\$ 1,985,934</u>
Liabilities:				
Accounts payable	\$ 578	\$ -	\$ 3,521	\$ 4,099
Accrued wages and benefits	243,056	-	9,180	252,236
Compensated absences payable	-	-	34,656	34,656
Pension obligation payable	41,356	-	1,128	42,484
Intergovernmental payable	5,932	-	191	6,123
Deferred revenue	598,084	117,751	13,063	728,898
Total liabilities	<u>889,006</u>	<u>117,751</u>	<u>61,739</u>	<u>1,068,496</u>
Fund Balances:				
Reserved for encumbrances	31,755	-	16,065	47,820
Reserved for materials and supplies inventory	4,734	-	2,031	6,765
Reserved for prepayments	12,542	-	-	12,542
Reserved for property tax unavailable for appropriation	50,637	9,969	1,106	61,712
Reserved for textbooks	8,574	-	-	8,574
Unreserved, undesignated, reported in:				
General fund	329,338	-	-	329,338
Special revenue funds	-	-	221,708	221,708
Debt service fund	-	53,673	-	53,673
Capital projects funds	-	-	175,306	175,306
Total fund balances	<u>437,580</u>	<u>63,642</u>	<u>416,216</u>	<u>917,438</u>
Total liabilities and fund balances	<u>\$ 1,326,586</u>	<u>\$ 181,393</u>	<u>\$ 477,955</u>	<u>\$ 1,985,934</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances \$ 917,438

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 12,752,591

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

Taxes	\$	9,410
Accrued interest		<u>2,484</u>

Total 11,894

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

Compensated absences		172,810
Pension obligation payable		26,165
Bond anticipation notes		60,000
General obligation bonds payable		905,000
Accrued interest payable		<u>3,144</u>

Total (1,167,119)

Net assets of governmental activities \$ 12,514,804

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 903,673	\$ 128,396	\$ 14,220	\$ 1,046,289
Charges for services	-	-	93,332	93,332
Earnings on investments	22,850	-	5,106	27,956
Extracurricular	-	-	64,619	64,619
Classroom materials and fees	90	-	17,053	17,143
Other local revenues	6,809	-	41,742	48,551
Other revenue	-	-	980	980
Intergovernmental - State	2,134,492	15,028	75,694	2,225,214
Intergovernmental - Federal	-	-	182,725	182,725
<i>Total revenue</i>	<u>3,067,914</u>	<u>143,424</u>	<u>495,471</u>	<u>3,706,809</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,482,654	-	124,293	1,606,947
Special	223,016	-	96,372	319,388
Vocational	72,735	-	-	72,735
Support services:				
Pupil	115,822	-	15,249	131,071
Instructional staff	81,705	-	10,224	91,929
Board of education	13,666	-	-	13,666
Administration	261,742	-	17,809	279,551
Fiscal	130,286	2,668	792	133,746
Operations and maintenance	349,971	-	12,524	362,495
Pupil transportation	177,792	-	23,445	201,237
Food service operations	-	-	115,335	115,335
Extracurricular activities	84,966	-	57,785	142,751
Facilities acquisition and construction	-	-	280,207	280,207
Refund of Ohio School Facilities Grant	-	-	424,974	424,974
Debt service:				
Principal retirement	13,061	150,000	-	163,061
Interest and fiscal charges	645	47,775	-	48,420
<i>Total expenditures</i>	<u>3,008,061</u>	<u>200,443</u>	<u>1,179,009</u>	<u>4,387,513</u>
<i>Excess of revenues over (under) expenditures</i>	<u>59,853</u>	<u>(57,019)</u>	<u>(683,538)</u>	<u>(680,704)</u>
Other financing sources (uses):				
Transfers in	-	-	148,016	148,016
Transfers (out)	(95,145)	-	(52,871)	(148,016)
Proceeds from sale of notes	-	60,000	-	60,000
<i>Total other financing sources (uses)</i>	<u>(95,145)</u>	<u>60,000</u>	<u>95,145</u>	<u>60,000</u>
<i>Net change in fund balances</i>	<u>(35,292)</u>	<u>2,981</u>	<u>(588,393)</u>	<u>(620,704)</u>
Fund balances at beginning of year (restated)	472,872	60,661	1,004,609	1,538,142
<i>Fund balances at end of year</i>	<u>\$ 437,580</u>	<u>\$ 63,642</u>	<u>\$ 416,216</u>	<u>\$ 917,438</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds \$ (620,704)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$292,476) exceeds capital outlays (\$64,758) in the current period. (227,718)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (6,036)

Repayment of bond, note, and loan principal is an expenditure the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 163,061

Proceeds of notes are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (60,000)

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and notes. 1,253

Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 38,210

Change in net assets of governmental activities \$ (711,934)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 882,434	\$ 880,000	\$ 897,473	\$ 17,473
Earnings on investments	10,028	10,000	23,131	13,131
Other local revenues	6,518	6,500	7,254	754
Intergovernmental - State	2,173,624	2,167,626	2,134,492	(33,134)
<i>Total revenue</i>	<u>3,072,604</u>	<u>3,064,126</u>	<u>3,062,350</u>	<u>(1,776)</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,593,496	1,590,435	1,493,093	97,342
Special	230,893	230,450	222,273	8,177
Vocational	70,886	70,750	72,157	(1,407)
Support services:				
Pupil	124,530	124,291	118,058	6,233
Instructional staff	97,827	97,639	83,670	13,969
Board of education	16,967	16,934	20,204	(3,270)
Administration	274,188	273,661	266,328	7,333
Fiscal	125,038	124,798	132,226	(7,428)
Operations and maintenance	367,729	367,023	362,782	4,241
Pupil transportation	198,653	198,271	182,098	16,173
Extracurricular activities	87,167	87,000	84,269	2,731
Debt Service:				
Principal	13,776	13,750	13,706	44
<i>Total expenditures</i>	<u>3,201,150</u>	<u>3,195,002</u>	<u>3,050,864</u>	<u>144,138</u>
<i>Excess of revenues over (under) expenditures</i>	<u>(128,546)</u>	<u>(130,876)</u>	<u>11,486</u>	<u>142,362</u>
Other financing sources (uses):				
Transfers (out)	(163,314)	(163,000)	(95,145)	67,855
Advances in	-	-	7,098	7,098
Advances (out)	(30,058)	(30,000)	(5,000)	25,000
<i>Total other financing sources (uses)</i>	<u>(193,372)</u>	<u>(193,000)</u>	<u>(93,047)</u>	<u>99,953</u>
<i>Net change in fund balance</i>	(321,918)	(323,876)	(81,561)	242,315
Fund balance at beginning of year	614,097	614,097	614,097	-
Prior year encumbrances appropriated	7,505	7,505	7,505	-
<i>Fund balance at end of year</i>	<u>\$ 299,684</u>	<u>\$ 297,726</u>	<u>\$ 540,041</u>	<u>\$ 242,315</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 5,660	\$ 30,082
Receivables:		
Accounts		3,619
<i>Total assets</i>	5,660	\$ 33,701
 Liabilities:		
Due to Others	-	\$ 5,000
Due to students	-	28,701
<i>Total liabilities</i>	-	\$ 33,701
 Net Assets:		
Held in trust for scholarships	5,660	
<i>Total net assets</i>	\$ 5,660	

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 46
Gifts and contributions	5,614
	5,660
<i>Total additions</i>	5,660
<i>Change in net assets</i>	5,660
Net assets at beginning of year	-
<i>Net assets at end of year</i>	\$ 5,660

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 603rd largest by enrollment among the 613 public school districts in the state, and 6th in Seneca County. It currently operates one elementary school, one middle school, and one comprehensive high school. The District employs 28 non-certified and 35 certified employees to provide services to 449 students in grades K through 12 and various community groups.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access to the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or (3) provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

(the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

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

Vanguard-Sentinel Career Centers

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

Northwestern Ohio Educational Research Council, Inc.

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

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. The District paid \$22,924 during fiscal year 2004 for natural gas. Financial information is available from the Erie Ottawa Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

PUBLIC ENTITY RISK POOLS

North Central Ohio Joint Self-Insurance Association (Association)

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

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating program for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 12 for further information on this group rating program.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

The District's basic financial statements consist of government wide financial statements which provide a more detailed level of financial information.

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 Statement of Net Assets presents the financial condition of the governmental activities of the District at fiscal year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenue identifies the extent to which each governmental function is self financing or draws from the general revenues of the District.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Fund Financial Statements – During the fiscal year, the District segregates transactions related to certain District functions or activities in separated funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. 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.

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

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

D. Basis of Accounting

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

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

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004. Prior to year-end, the District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

4. Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. The appropriation resolution by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.
5. Any revisions that alter the total of any fund, function, and object appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts on the statements of budgetary comparisons represent the final appropriation amounts passed by the Board during the year.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2004, investments were limited to the 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.

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STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes the Board of Education has by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$22,850, which includes \$11,612 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 Treasurer's investment account at year-end is provided in Note 4.

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

M. Net Assets

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

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

N. Prepayments

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

O. Estimates

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

P. Restricted Assets

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

3. ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the District has implemented GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*", GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*", GASB Statement No. 41, "*Budgetary Comparison Schedule - Perspective Differences*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes, and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

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GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

In addition to implementing GASB Statement No. 34, the District switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at June 30, 2003.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds previously reported as enterprise funds have been reclassified and are now part of the other nonmajor governmental funds. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	General	Debt Service	Other Governmental Funds	Total
Fund balance June 30, 2003	\$ 464,414	\$ 60,661	\$ 973,572	\$ 1,498,647
Fund reclassifications	-	-	23,715	23,715
Implementation of GASB Interpretation No. 6	8,458	-	7,322	15,780
Restated fund balance, June 30, 2003	<u>\$ 472,872</u>	<u>\$ 60,661</u>	<u>\$ 1,004,609</u>	<u>\$ 1,538,142</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

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	Total
Restated fund balance, June 30, 2003	\$ 1,538,142
GASB 34 adjustments:	
Long-term (deferred) assets	17,930
Capital assets	12,980,309
Accrued interest payable	(4,397)
Pension obligation	(38,935)
Long-term liabilities	(1,266,311)
Governmental activities net assets, June 30, 2003	\$ 13,226,738

B. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

Nonmajor Funds	
Title I	\$ 6
Drug-Free Schools	1

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

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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Cash with fiscal agent: The District had \$7 in cash held by the North Central Ohio Educational Service Center which is included on the balance sheet as "Cash with Fiscal Agent". The Educational Service Center holds this flow through grant money for the District along with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 3.

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

Deposits: At year-end, the carrying amount of the District's deposits was \$776,657 and the bank balance was \$840,954. Of the bank balance:

1. \$100,000 was covered by federal depository insurance deposited with the District; and
2. \$740,954 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Reported Amount</u>	<u>Fair Value</u>
Investment in STAR Ohio	\$ 346,355	\$ 346,355
Total investments	<u>\$ 346,355</u>	<u>\$ 346,355</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,123,019	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(346,355)	346,355
Cash with fiscal agent	<u>(7)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 776,657</u>	<u>\$ 346,355</u>

5. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:		
General Fund		\$ 95,145
Nonmajor Governmental Funds		52,871

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

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

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2004 and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$50,637 in the General fund, \$9,969 in the Debt Service fund and \$1,106 in the Classroom Facilities Maintenance fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$43,567 in the General fund, \$8,630 in the Debt Service fund, and \$967 in the Classroom Facilities Maintenance fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

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FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 28,891,320	89.35	\$ 29,559,640	90.13
Public utility personal	1,423,330	4.40	1,487,460	4.54
Tangible personal property	2,021,592	6.25	1,749,014	5.33
Total	\$ 32,336,242	100.00	\$ 32,796,114	100.00
 Tax rate per \$1,000 of assessed valuation	 \$ 43.92		 \$ 43.92	

7. SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of three-quarters of one percent (0.75%) for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

8. RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:	
Taxes	\$ 871,881
Accounts	665
Intergovernmental	6,796
Accrued interest	8
Total	\$ 879,350

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

9. CAPITAL ASSETS

A. The capital asset balances of the governmental activities have been restated due to fund reclassifications and the depreciation of capital assets in accordance with GASB Statement No. 34.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

	Balance 6/30/2003	Adjustments	Restated Balance 7/1/2004
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ 119,305	\$ -	\$ 119,305
Construction in progress	410,996	-	410,996
<i>Total capital assets, not being depreciated</i>	530,301	-	530,301
Capital assets, being depreciated:			
Land improvements	42,720	-	42,720
Buildings and improvements	12,588,310	-	12,588,310
Furniture and equipment	60,112	142,855	202,967
Vehicles	468,300	-	468,300
<i>Total capital assets, being depreciated</i>	13,159,442	142,855	13,302,297
<i>Less: accumulated depreciation:</i>	-	(852,289)	(852,289)
Governmental activities capital assets, net	\$ 13,689,743	\$ (709,434)	\$ 12,980,309

B. Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 7/1/03	Additions	Deductions	Balance 6/30/04
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 119,305	\$ -	\$ -	\$ 119,305
Construction in progress	410,996	-	(410,996)	-
<i>Total capital assets, not being depreciated</i>	530,301	-	(410,996)	119,305
<i>Capital assets, being depreciated:</i>				
Land improvements	42,720	-	-	42,720
Buildings and improvements	12,588,310	411,890	(35,000)	12,965,200
Furniture and equipment	202,967	-	-	202,967
Vehicles	468,300	63,864	(60,640)	471,524
<i>Total capital assets, being depreciated</i>	13,302,297	475,754	(95,640)	13,682,411

(Continued)

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

	Restated Balance 7/1/03	Additions	Deductions	Balance 6/30/04
Less: accumulated depreciation				
Land improvements	(40,672)	(316)	-	(40,988)
Buildings and improvements	(396,946)	(255,184)	35,000	(617,130)
Furniture and equipment	(20,118)	(13,986)	-	(34,104)
Vehicles	(394,553)	(22,990)	60,640	(356,903)
<i>Total accumulated depreciation</i>	<u>(852,289)</u>	<u>(292,476)</u>	<u>95,640</u>	<u>(1,049,125)</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 12,980,309</u>	<u>\$ 183,278</u>	<u>\$ (410,996)</u>	<u>\$ 12,752,591</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 151,229
Special	10,879
<u>Support Services:</u>	
Administration	9,976
Operations and maintenance	12,459
Pupil transportation	22,990
Extracurricular activities	71,398
Food service operations	<u>13,545</u>
Total depreciation expense	<u>\$ 292,476</u>

10. LONG-TERM OBLIGATIONS

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

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

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

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(Continued)

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

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

Year Ending June 30	G.O. Bonds		Total
	Principal	Interest	
2005	\$ 30,000	\$ 44,313	\$ 74,313
2006	30,000	43,105	73,105
2007	30,000	41,883	71,883
2008	30,000	40,645	70,645
2009	35,000	39,287	74,287
2010 - 2014	190,000	172,881	362,881
2015 - 2019	245,000	119,475	364,475
2020 - 2024	315,000	44,415	359,415
Total	<u>\$ 905,000</u>	<u>\$ 546,004</u>	<u>\$ 1,451,004</u>

- B.** During fiscal year 1994, the District entered into an energy conservation loan to provide for energy improvements to various District buildings. The primary source of repayment of this loan is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the general fund. This loan matured in fiscal year 2004.
- C.** On January 17, 2003, the District issued a \$125,000 bond anticipation note. This note was issued in anticipation of the issuance of bonds to pay the local share of school construction and to pay costs of acquiring a site for classroom facilities under the State of Ohio Classroom Facilities Assistance Program. The note matures on January 17, 2004, and bears an annual interest rate of 1.90 percent. The note is a general obligation of the District, for which the District's full faith and credit are pledged for repayment. The note is presented as a liability of the governmental activities long-term obligations.
- D.** On January 16, 2004 the District issued a \$60,000 bond anticipation note. This note was issued in anticipation of the issuance of bonds to pay the local share of school construction and to pay costs of acquiring a site for classroom facilities under the State of Ohio Classroom Facilities Assistance Program. The note matures on January 14, 2005 and bears an annual interest rate of 1.75 percent. This note is a general obligation of the District, for which the District's full faith and credit is pledged for repayment. The note is presented as a liability of the governmental activities long-term obligations.
- E.** The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$19,089 from \$179,161 to \$198,250 due to the implementation of GASB Interpretation No. 6 and due to fund reclassifications described in Note 3.A. In addition, pension obligations of \$31,279 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$12,190 from \$1,278,501 to \$1,266,311. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance Outstanding July 1, 2003	Additions	Reductions	Balance Outstanding June 30, 2004	Amounts Due in One Year
Governmental Activities:					
Compensated absences	\$ 198,250	\$ 28,865	\$ (19,649)	\$ 207,466	\$ 46,254
Energy conservation loan payable	13,061	-	(13,061)	-	-
Bond anticipation notes	125,000	60,000	(125,000)	60,000	60,000
General obligation bonds payable	930,000	-	(25,000)	905,000	30,000
Total long-term obligations, governmental activities	<u>\$ 1,266,311</u>	<u>\$ 88,865</u>	<u>\$ (182,710)</u>	<u>\$ 1,172,466</u>	<u>\$ 136,254</u>

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$2,100,323 and an unvoted debt margin of \$32,796.

11. COMPENSATED ABSENCES

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

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

12. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery, and vehicles. Vehicle policies include liability

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SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

coverage for bodily injury and property damage. In addition, real property contents are 90 percent coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:	Harcum-Hyre		
Each occurrence		\$ 1,000,000	\$ -
Aggregate		3,000,000	-
Building and contents	Marsh USA	13,406,444	1,000
Fleet:	United Insurance Service		
Comprehensive		1,000,000	-
Collision		1,000,000	1,000

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

B. Health Insurance

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

C. Workers' Compensation

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

13. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$58,233, \$70,614, and \$65,338, respectively; 49 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$29,640 represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

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 2004, 13 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$206,822, \$208,105, and \$194,334, respectively; 84 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$32,604 represents the unpaid contribution for fiscal year 2004. Contributions for the DC and Combined Plans for fiscal year ended June 30, 2004 were \$209 made by the District and \$241 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$14,773 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net

**NEW RIEGEL LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount for fund health care benefits, including surcharge, equaled \$28,536 during the 2004 fiscal year.

15. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

**NEW RIEGEL LOCAL SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (81,561)
Net adjustment for revenue accruals	5,564
Net adjustment for expenditure accruals	8,624
Net adjustment for other sources/uses	(2,098)
Adjustment for encumbrances	34,179
GAAP basis	\$ (35,292)

16. 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 not involved in litigation as either plaintiff or defendant.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...." The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

17. STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. During the fiscal year ended June 30, 2004, 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, 2004
(Continued)

	Textbooks	Capital Acquisition
Set-aside cash balance as of June 30, 2003	\$ 29,017	\$ -
Current year set-aside requirement		63,815
Current year offsets	-	(75,000)
Qualifying disbursements	(20,443)	-
<i>Total</i>	\$ 8,574	\$ (11,185)
Cash balance carried forward to FY 2005	\$ 8,574	\$ -

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

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

A schedule of the restricted assets at June 30, 2004 follows:

Amount restricted for textbooks	\$ 8,574
---------------------------------	----------

18. REFUND OF OHIO SCHOOL FACILITIES GRANT

During fiscal year 2004, the District completed construction of the new school building which was financed through the Ohio School Facilities Commission (OSFC). Upon completion of the project it was determined that \$424,974 would be refunded to the OSFC. This amount is shown on the financial statements as "Refund of Ohio School Facilities Grant."



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Riegel Local School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 3, 2005 in which we noted the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements^B and Management's Discussion and Analysis^B for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 3, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving

the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the District's management in a separate letter dated March 3, 2005.

This report is intended for the information and use of the audit committee, management, and 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 3, 2005



**Auditor of State
Betty Montgomery**

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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 29, 2005**