

RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT

* * *

Basic Financial Statements

June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Education
Rittman Exempted Village School District
Rittman, Ohio

We have reviewed the Independent Auditor's Report of the Rittman Exempted Village School District, Wayne County, prepared by Rea & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Rittman Exempted Village School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 16, 2005

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**RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004
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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 25, 2005

The Board of Education
Rittman Exempted Village School District
Rittman, Ohio 44270

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rittman Exempted Village School District, Ohio, 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 Rittman Exempted Village School 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 Rittman Exempted Village School District, Ohio, as of June 30, 2004, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2005, on our consideration of Rittman Exempted Village School 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 Audit Standards and should be read in conjunction with this report in considering the results of our audit.

As stated in Note 3 Rittman Exempted Village School District, Ohio adopted Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements and Management's Discussion and Analysis, No. 37, Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments: Omnibus, and No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 41, "Budgetary Comparison Schedules Perspective Difference," and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials."

The management's discussion and analysis on pages 3 through 8 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Hea & Associates, Inc.

Rittman Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

The discussion and analysis of the Rittman Exempted Village School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance. Since this is the first year of financial presentation under Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Government", some analyses with prior year data is not available. Future Management Discussion and Analyses will be comparative.

Financial Highlights

Key Financial Highlights for 2004 are as follows:

- ❑ General Revenues accounted for \$8.8 million in revenue or 37% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, capital grants and contributions, accounted for approximately \$15.4 million or 63% of total revenues of \$24.2 million.
- ❑ Total program expenses were nearly \$10.6 million in Governmental Activities.
- ❑ In total, net assets of Governmental Activities increased approximately \$13.5 million, which represents a 405% increase from 2003.
- ❑ Outstanding bonded debt increased from \$0 to \$9,500,000 for the Ohio School Facilities Commission.

Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities*, excluding fiduciary funds 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 School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as Governmental:

Rittman Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

- Governmental Activities – All of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, food service operation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental funds are the general fund and building capital project fund.

Governmental Funds - Most of the School 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 that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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 financial statements.

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$ 39,987,097	\$ 7,258,016
Capital Assets	1,343,095	1,257,178
Total Assets	41,330,192	8,515,194
Liabilities		
Long-Term Liabilities	19,793,935	4,489,372
Other Liabilities	4,698,986	689,692
Total Liabilities	24,492,921	5,179,064
Net Assets		
Invested in Capital		
Assets Net of Debt	1,193,159	1,257,178
Restricted	33,447,772	263,604
Unrestricted (Deficit)	(17,803,660)	1,815,348
Total Net Assets	\$ 16,837,271	\$ 3,336,130

Rittman Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Total assets increased by approximately \$32.8 million. This increase was caused primarily by \$19,000,000 held in cash for bond anticipation notes and for the bond issue. Another \$13,400,000 was booked as a receivable for the state share of the cost of building/renovation to the high school.

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

<i>Program Revenues:</i>	
Charges for Services and Sales	\$ 486,121
Operating Grants and Contributions	767,239
Capital Grants and Contributions	14,106,093
<i>General Revenue:</i>	
Property Taxes	4,088,887
Grants and Entitlements	4,539,679
Other	<u>216,137</u>
<i>Total Revenues</i>	24,204,156
 <i>Program Expenses</i>	
Instruction	5,989,075
Support Services	4,074,833
Operation of Non-instructional Services	12,761
Extracurricular Activities	197,018
Interest and Fiscal Charges	7,068
Food Services	396,682
Uniform School Supplies	<u>25,578</u>
<i>Total Expenses</i>	<u>10,703,015</u>
 Increase (Decrease) in Net Assets	 <u><u>\$ 13,501,141</u></u>

Rittman Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements. All governmental activity had total revenues of \$24.2 million and expenses of \$10.7 million. Comparisons to 2003 have not been made since they are not available.

(Table 3)
Governmental Activities

	2004	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 5,989,075	\$ (5,485,052)
Support Services:		
Pupil and Instructional Staff	1,228,459	(1,002,525)
Board of Education, Administration		
Fiscal and Business	1,167,322	(1,092,136)
Operation and Maintenance of Plant	1,456,737	12,649,356
Pupil Transportation and Central	222,315	(210,144)
Operation of Non-Instructional	12,761	(12,761)
Extracurricular Activities	197,018	(152,967)
Interest Charges	7,068	(7,068)
Food Service Operations	396,682	(26,595)
Uniform Supplies	25,578	(3,670)
	<u>\$ 10,703,015</u>	<u>\$ 4,656,438</u>

Instruction and Student Support Services comprise 94% of governmental program expenses. Pupil transportation and the operation/maintenance of plant account for 16% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Rittman Exempted Village School District students.

General Fund Budgeting Highlights

The School 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 year 2004, there were minor material changes to the School District's total general fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

Rittman Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

For the general fund, the final budget basis revenue only increased \$163,801 from the original budget estimates of approximately \$7.9 million. Actual revenues of over \$7.8 million was nearly \$233,000 less than the final budgeted amounts. Both of these variances are considered insignificant to the basic financial statements.

Final expenditures and encumbrances of approximately \$8.6 million were approximately \$430,000 lower than the approximately \$9.0 million in the final budget, due to an additional (extra) adoption of textbooks in the area of reading, an increase of medical insurance costs, and the moving of teachers on the salary schedule due to additional coursework.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$1.3 million invested in land, buildings improvements, and equipment. Table 4 shows fiscal year 2004 balances net of depreciation.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	<u>Governmental Activities</u>
	2004
Land	\$ 142,554
Buildings and Improvements	543,054
Furniture and Equipment	587,729
Vehicles	69,758
Totals	\$ 1,343,095

The \$85,917 increase in capital assets was attributable to the total effect of additional purchases and disposals exceeding depreciation expense. See Note 9 to the basic financial statements for detail of the School District's capital assets.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$170,436 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvement and textbooks. See Note 20 for additional information.

Rittman Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Unaudited)

Debt

At June 30, 2004, the School District had \$19,000,000 in bonds and notes outstanding with \$9,500,000 due within one year. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	2004	2003
OSFC Construction Bond	\$ 9,500,000	\$ 0
Bond Anticipation Notes	9,500,000	0
	\$ 19,000,000	\$ 0

The \$9.5 million bond anticipation notes were issued in anticipation of a future bond issuance for the construction and renovation of school building facilities of the School District. \$9.5 million of these bonds were subsequently issued prior to year end, with the balance needed to be issued in fiscal year 2005. The \$9.5 million bond anticipation notes will be retired upon maturity, which is scheduled for July 2004. See Note 13 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues

Rittman Exempted Village School District receives approximately 81% of its general revenue from the State. The School District does receive additional revenue for increased enrollment, but 2004 showed a decrease in enrollment. Future projections also show a decrease in enrollment which will in turn decrease our State share. Lottery, special education, and gifted funding have also been reduced every year. Lastly, the School District loses \$40,000 annually due to a decrease in tangible personal property taxes.

The School District, in turn, relies on its local property taxpayers. The last operating levy was passed in 1995, for 4.9 mills, on a continuing basis. The five-year forecast projects a deficit in fiscal year 2006. In November 2004, the voters of the School District rejected a 5.9 mill emergency operating levy presented by the Board of Education. With House Bill 920 current levies do not provide inflationary revenue growth as valuation increases, with the exception of inside millage and new construction. Thus, as a School District dependent upon property tax and a decline in the State Foundation, the School District will need to request property tax increases to maintain a constant level of service.

The School District has cut \$185,000 from the instructional supplies and equipment budgets in order to maintain a positive balance in fiscal year 2005.

The School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Connie Baldwin, Treasurer of Rittman Exempted Village School District, 220 North First Street, Rittman, Ohio 44270.

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Rittman Exempted Village School District
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 21,474,838
Cash and Cash Equivalents:	
Restricted Cash	170,436
Receivables:	
Taxes	4,143,271
Intergovernmental	14,198,552
Nondepreciable Capital Assets	142,554
Depreciable Capital Assets (Net)	1,200,541
 <i>Total Assets</i>	 41,330,192
Liabilities	
Accounts Payable	42,707
Contracts Payable	219,188
Accrued Wages and Benefits	788,629
Intergovernmental Payable	253,781
Deferred Revenue	3,266,496
Claims Payable	128,185
Long Term Liabilities:	
Due Within One Year	9,533,153
Due Within More Than One Year	10,260,782
 <i>Total Liabilities</i>	 24,492,921
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,193,159
Restricted for:	
Capital Projects	33,040,048
Debt Service	333,626
Other Purposes	74,098
Unrestricted	(17,803,660)
 <i>Total Net Assets</i>	 \$ 16,837,271

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Current:					
Instruction:					
Regular	\$ 4,997,014	\$ 184,984	\$ 80,589	\$ 0	\$ (4,731,441)
Special	940,213	0	238,450	0	(701,763)
Vocational	40,134	0	0	0	(40,134)
Other	11,714	0	0	0	(11,714)
Support services:					
Pupils	547,831	0	119,189	0	(428,642)
Instructional staff	680,628	0	106,745	0	(573,883)
Board of education	95,322	0	0	0	(95,322)
Administration	743,667	0	75,186	0	(668,481)
Fiscal	328,333	0	0	0	(328,333)
Operation and maintenance of plant	1,456,737	0	0	14,106,093	12,649,356
Pupil transportation	210,246	0	333	0	(209,913)
Central	12,069	0	11,838	0	(231)
Operation of non-instructional services	12,761	0	0	0	(12,761)
Food service operations	396,682	235,178	134,909	0	(26,595)
Uniform supplies	25,578	21,908	0	0	(3,670)
Extracurricular activities	197,018	44,051	0	0	(152,967)
Debt service:					
Interest and fiscal charges	7,068	0	0	0	(7,068)
Total Governmental Activities	\$ 10,703,015	\$ 486,121	\$ 767,239	\$ 14,106,093	4,656,438

General Revenues

Property Taxes Levied for:

General Purposes	3,479,368
Debt Service	334,523
Capital Outlay	274,996

Grants and Entitlements not Restricted to Specific Programs	4,539,679
Investment Earnings	92,106
Miscellaneous	124,031

Total General Revenues 8,844,703

Change in Net Assets 13,501,141

Net Assets Beginning of Year (Restated, see Note 3) 3,336,130

Net Assets End of Year \$ 16,837,271

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2004

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,664,193	\$ 18,901,425	\$ 529,125	\$ 21,094,743
Cash and Cash Equivalents:				
Restricted Cash	170,436	0	0	170,436
Receivables:				
Taxes	3,354,003	0	789,268	4,143,271
Interfund	11,280	0	0	11,280
Intergovernmental	0	14,106,093	92,459	14,198,552
<i>Total Assets</i>	<u>\$ 5,199,912</u>	<u>\$ 33,007,518</u>	<u>\$ 1,410,852</u>	<u>\$ 39,618,282</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 32,966	\$ 0	\$ 9,741	\$ 42,707
Contracts Payable	0	219,188	0	219,188
Accrued Wages and Benefits	743,642	0	44,987	788,629
Interfund Payable	0	0	11,280	11,280
Intergovernmental Payable	156,803	0	9,590	166,393
Deferred Revenue	2,735,050	14,106,093	720,393	17,561,536
<i>Total Liabilities</i>	3,668,461	14,325,281	795,991	18,789,733
Fund Balances				
Fund Balance:				
Reserved for Encumbrances	137,470	0	42,242	179,712
Reserved for Tax Revenue Unavailable for Appropriation	618,952	0	145,652	764,604
Reserved for Capital Improvements/Maintenance	74,137	0	0	74,137
Reserved for Budget	96,299	0	0	96,299
Unreserved:				
Undesignated, Unreserved Reported in:				
General Fund	604,593	0	0	604,593
Special Revenue Funds	0	0	10,043	10,043
Debt Service Fund	0	0	211,368	211,368
Capital Projects Funds	0	18,682,237	205,556	18,887,793
<i>Total Fund Balances</i>	<u>1,531,451</u>	<u>18,682,237</u>	<u>614,861</u>	<u>20,828,549</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,199,912</u>	<u>\$ 33,007,518</u>	<u>\$ 1,410,852</u>	<u>\$ 39,618,282</u>

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances		\$	20,828,549
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			1,343,095
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.			
Grants	76,777		
Ohio School Facilities Commission	14,106,093		
Delinquent Property Taxes	112,170		14,295,040
 An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			251,910
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.			
General Obligation Bonds	(9,500,000)		
Notes Payable	(9,500,000)		
Capital Lease Payable	(149,936)		
Compensated Absences	(643,999)		
Intergovernmental Payable	(87,388)		(19,881,323)
			\$ 16,837,271
 Net Assets of Governmental Activities			

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,478,598	\$ 0	\$ 593,853	\$ 4,072,451
Intergovernmental	4,498,204	0	731,937	5,230,141
Investment income	70,566	3,167	0	73,733
Tuition and fees	184,984	0	21,908	206,892
Extracurricular activities	0	0	44,051	44,051
Charges for services	0	0	235,178	235,178
Miscellaneous	3,772	0	120,259	124,031
<i>Total Revenues</i>	8,236,124	3,167	1,747,186	9,986,477
Expenditures:				
Current:				
Instruction:				
Regular	4,671,229	0	121,748	4,792,977
Special	738,334	0	198,396	936,730
Vocational	46,710	0	0	46,710
Other	11,714	0	0	11,714
Support services:				
Pupils	357,677	0	182,587	540,264
Instructional staff	568,127	0	100,814	668,941
Board of education	95,322	0	0	95,322
Administration	638,714	0	65,957	704,671
Fiscal	315,187	0	6,913	322,100
Operation and maintenance of plant	986,193	219,188	0	1,205,381
Pupil transportation	211,328	0	310	211,638
Central	0	0	12,069	12,069
Operation of non-instructional services	0	0	1,000	1,000
Food service operations	0	0	378,730	378,730
Uniform supplies	0	0	25,578	25,578
Extracurricular activities	140,823	0	56,195	197,018
Capital outlay	0	120,115	268,930	389,045
<i>Total Expenditures</i>	8,781,358	339,303	1,419,227	10,539,888
<i>Excess of Revenues Over (Under) Expenditures</i>	(545,234)	(336,136)	327,959	(553,411)
Other Financing Sources (Uses):				
Proceeds of bonds	0	9,518,373	0	9,518,373
Proceeds of notes	0	9,500,000	0	9,500,000
Transfers in	0	0	31,320	31,320
Transfers out	(29,000)	0	(2,320)	(31,320)
<i>Total Financing Sources and (Uses)</i>	(29,000)	19,018,373	29,000	19,018,373
<i>Net Change in Fund Balance</i>	(574,234)	18,682,237	356,959	18,464,962
<i>Fund balance (deficit) at beginning of year - Restated (See Note 3)</i>	2,105,685	0	257,902	2,363,587
<i>Fund balance (deficit) at end of year</i>	\$ 1,531,451	\$ 18,682,237	\$ 614,861	\$ 20,828,549

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Reconciliation of the 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		\$ 18,464,962
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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 exceeded capital asset additions in the current period.		
Capital Asset Additions	382,464	
Current Year Depreciation	<u>(279,094)</u>	103,370
Net effect of transactions involving sale of capital assets are not reflected in the funds.		(17,453)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	76,777	
Ohio School Foundation	14,106,093	
Delinquent Property Taxes	<u>16,436</u>	14,199,306
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Capital Leases		24,353
Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Proceeds of Bonds	(9,500,000)	
Proceeds of Notes	(9,500,000)	
Compensated Absences	(128,596)	
Pension Obligation	<u>(18,811)</u>	(19,147,407)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>(125,990)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 13,501,141</u></u>

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,106,209	\$ 3,170,568	\$ 3,079,055	\$ (91,513)
Intergovernmental	4,537,874	4,631,895	4,498,204	(133,691)
Investment Income	71,188	72,663	70,566	(2,097)
Tuition and Fees	186,615	190,482	184,984	(5,498)
Miscellaneous	3,805	3,884	3,772	(112)
<i>Total Revenues</i>	<u>7,905,691</u>	<u>8,069,492</u>	<u>7,836,581</u>	<u>(232,911)</u>
Expenditures:				
Current				
Instruction	6,455,443	5,597,212	5,331,829	265,383
Support Services				
Pupils	426,765	370,028	352,484	17,544
Instructional Staff	675,153	585,394	557,638	27,756
Board of Education	112,568	97,603	92,975	4,628
Administration	766,821	664,875	633,351	31,524
Fiscal	381,946	331,168	315,466	15,702
Operation and Maintenance of Plant	1,217,848	1,055,939	1,005,873	50,066
Pupil Transportation	254,318	220,507	210,052	10,455
Extracurricular Activities	168,137	145,784	138,872	6,912
<i>Total Expenditures</i>	<u>10,458,999</u>	<u>9,068,510</u>	<u>8,638,540</u>	<u>429,970</u>
Excess of Revenues Over (Under) Expenditures	(2,553,308)	(999,018)	(801,959)	197,059
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	447	447	447	0
Advances In	579	579	579	0
Advances Out	(9,285)	(9,285)	(9,285)	0
Transfers Out	(29,000)	(29,000)	(29,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(37,259)</u>	<u>(37,259)</u>	<u>(37,259)</u>	<u>0</u>
<i>Net change in Fund Balance</i>	(2,590,567)	(1,036,277)	(839,218)	197,059
<i>Fund Balance at Beginning of Year</i>	<u>2,673,841</u>	<u>2,673,841</u>	<u>2,673,841</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$ 83,274</u>	<u>\$ 1,637,564</u>	<u>\$ 1,834,623</u>	<u>\$ 197,059</u>

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District

Statement of Fund Net Assets

Proprietary Funds

June 30, 2004

	Governmental Activities Internal Service Fund
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 380,095
<i>Total Assets</i>	<u>380,095</u>
Liabilities:	
Claims Payable	<u>128,185</u>
<i>Total Liabilities</i>	128,185
Net Assets:	
Unrestricted	<u>251,910</u>
<i>Total Net Assets</i>	<u><u>\$ 251,910</u></u>

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Other operating revenues	\$ 1,202,449
<i>Total Operating Revenues</i>	1,202,449
Operating Expenses:	
Purchased services	315,276
Claims	1,013,163
<i>Total Operating Expenses</i>	1,328,439
<i>Change in Net Assets</i>	(125,990)
<i>Net Assets Beginning of Year</i>	377,900
<i>Net Assets End of Year</i>	\$ 251,910

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received for Charges for Services	\$ 1,202,449
Cash Paid for Goods and Services	(315,276)
Cash Paid for Claims	(1,046,265)
<i>Net Cash Used For Operating Activities</i>	(159,092)
<i>Net Decrease in Cash and Cash Equivalents</i>	(159,092)
<i>Cash and Cash Equivalents at Beginning of Year</i>	539,187
<i>Cash and Cash Equivalents at End of Year</i>	\$ 380,095
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ (125,990)
Adjustments:	
Increase (Decrease) in Liabilities	
Claims Payable	(33,102)
<i>Total Adjustments</i>	(33,102)
<i>Net Cash Used For Operating Activities</i>	\$ (159,092)

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 9,658</u>
<i>Total Assets</i>	<u><u>\$ 9,658</u></u>
Liabilities	
Undistributed Monies	<u>\$ 9,658</u>
<i>Total Liabilities</i>	<u><u>\$ 9,658</u></u>

See accompanying notes to the basic financial statements.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 1 – Description of the School District

The Rittman Exempted Village School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. Average daily membership on, or as of, October 1, 2003, was 1,178. The School District employs 95 certificated and 49 non-certificated employees.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities.

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

Management believes the financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School 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.

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 School District's major governmental funds:

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

Building Fund The building fund is used to account for the receipts and expenditures related to all special bond funds in the School District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid in this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. The following are the School District's proprietary fund types:

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee medical, dental and prescription drug benefits.

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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds. The School District's agency funds account for student advance placement testing and student activities.

C. Measurement Focus

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

Fund Financial Statements 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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

Fiduciary funds are reported using the economic resources measurement focus and are excluded from the Government-Wide Financial Statements.

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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 School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, 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 is 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.

Under the modified accrual basis, 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

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

During fiscal year 2004, investments were limited to repurchase agreements and certificates of deposit. These nonparticipating investment contracts are reported at cost.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The District has also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2004.

For presentation on the financial statements, investments of the cash management pool and investments with maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$70,566, which includes \$21,540 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set aside for the purchase of textbooks and capital improvements. See Note 20 for additional information regarding set-asides.

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure. 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 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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 Years
Buildings and Improvements	10 - 50 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	8 Years

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

H. 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 columns of the statement of net assets.

I. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are eligible to receive termination benefits and those the School District had identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statement.

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes, capital improvements and budget.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

N. Interfund Activity

Transfers between governmental activities on the government-wide statements are eliminated.

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 financial statements.

O. Estimates

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

P. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board 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. By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commission for rate determination.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. 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.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 3 – Change in Accounting Principle and Restatement of Fund Balances/Net Assets

Changes in Accounting Principles For fiscal year 2004, the School 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 Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” As of June 30, 2004, there was no effect on the fund balance as a result of implementing GASB Statements No. 37, No. 38, and No. 41, or GASB Interpretation No. 6

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

Restatement of Prior Year Fund Balance It was determined that the revenues generated by the enterprise funds were not sufficient to cover the costs of the program. Additionally, there was no debt pledged nor were any laws or regulations requiring cost be recovered through fees and charges. Therefore, it was determined that special revenue fund type is a more appropriate classification. Accordingly, effective July 1, 2003, the entire enterprise fund type has been eliminated and reclassified to the special revenue fund type. These restatements had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Nonmajor	Governmental Activities Total
	<u> </u>	<u> </u>	<u> </u>
Fund Balances, June 30, 2003	\$ 2,105,685	\$ 284,612	\$ 2,390,297
Fund Reclassification	0	(26,710)	(26,710)
Restated Fund Balances, June 30, 2003	<u>\$ 2,105,685</u>	<u>\$ 257,902</u>	<u>\$ 2,363,587</u>
GASB 34 Adjustments:			
Internal Service Fund			377,900
Capital Assets			1,257,178
Compensated Absences			(515,403)
Intergovernmental Payables			(68,577)
Long-Term (Deferred) Assets			95,734
Capital lease			(174,289)
Governmental Activities Net Assets, June 30, 2003			<u>\$ 3,336,130</u>
		Business-Type Activities	
Net Assets, June 30, 2003		<u>\$ 50,083</u>	
Fund Reclassifications		(50,083)	
Adjust Net Assets, June 30, 2003		<u>\$ 0</u>	

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 4 – Fund Deficits

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

	<u>Deficit</u>
Nonmajor Governmental Funds:	
Food Services	\$ 28,966
Title II-A	11,140

The deficits in these governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

Note 5 – Budgetary Basis of Accounting

While the School District is 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 and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ (574,234)
Net Adjustment for Revenue Accruals	(398,517)
Net Adjustment for Expenditure Accruals	310,792
Encumbrances (Budget Basis)	<u>(177,259)</u>
Budget Basis	<u>\$ (839,218)</u>

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 6 – Deposits and Investments

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 or deposit accounts including passbook accounts.

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

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed 30 days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 % of the interim moneys available for investment at any one time; and

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

8. Under limited circumstances, corporate debt interests 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 School 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.

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

Deposits - At fiscal year-end, the carrying amount of the School District's deposits was \$62,256 and the bank balance was \$124,242. The School District also has \$100 in petty cash funds. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$24,242 was covered by collateral held by a qualified third party trustee not in the name of Rittman Exempted Village School District.

Investments – GASB Statement No. 3 requires the School District’s investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District’s name. Category 2 includes uninsured and unregistered investments which are held by counterparty’s trust department or agent in the School District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District’s name. For the School District, investment in repurchase agreements fall within this category. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting”.

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

	Cash and Cash Equivalents	Investments
GASB Statement #9	\$ 21,654,932	\$ 0
Investments of the Cash Management Pool:		
Repurchase Agreements	(20,955,031)	(20,955,031)
STAROhio	(637,545)	(637,545)
GASB Statement #3	<u>\$ 62,356</u>	<u>\$ (21,592,576)</u>

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school 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 school 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 35% 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 real property taxes. Public utility real property is assessed at 35% 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 25% of true value for capital assets and 24% 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 School District prior to June 30.

The School District receives property taxes from Wayne and Medina County. The fiscal officer periodically advances to the School 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 the 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 is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$618,952 in the General Fund, \$106,617 in the Debt Service Fund, and \$39,035 in the Permanent Improvement Capital Projects Fund.

On the 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.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

	Wayne County	Medina County
	<u> </u>	<u> </u>
The property valuation consisted of:		
Real Property - 2004		
Residential/Agricultural	\$ 76,421,020	\$ 2,196,950
Commerical/Agricultural	11,140,750	69,550
Public Utilities	23,300	0
Minerals	21,680	0
Tangible Personal Property - 2003		
General	14,820,688	155,266
Public Utilities	2,927,130	268,120
Total valuation	<u>\$ 105,354,568</u>	<u>\$ 2,689,886</u>

Note 8 - Receivables

Receivables at June 30, 2004, consisted of taxes, intergovernmental grants and interfund. 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.

Intergovernmental receivables as of June 30, 2004:

Governmental Activities:	
Title VI-B	\$ 55,353
Title I	22,386
Drug Free Grant	255
Title II-A	14,457
Title II-D	8
OSFC Building Project	14,106,093
	<u>\$ 14,198,552</u>

Rittman Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 9 – Capital Assets

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

	Restated Balance 6/30/03	Additions	Reductions	Balance 6/30/04
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 142,554	\$ 0	\$ 0	\$ 142,554
 <i>Capital Assets, being depreciated:</i>				
Buildings and improvements	3,632,643	202,275	0	3,834,918
Furniture and equipment	1,766,786	180,189	(166,417)	1,780,558
Vehicles	388,145	0	0	388,145
Total Capital Assets, being depreciated	<u>5,787,574</u>	<u>382,464</u>	<u>(166,417)</u>	<u>6,003,621</u>
 Less Accumulated Depreciation:				
Buildings and improvements	(3,228,844)	(63,020)	0	(3,291,864)
Furniture and equipment	(1,187,168)	(154,625)	148,964	(1,192,829)
Vehicles	(256,938)	(61,449)	0	(318,387)
Total Accumulated Depreciation	<u>(4,672,950)</u>	<u>(279,094)</u>	<u>148,964</u>	<u>(4,803,080)</u>
 Total Capital Assets being depreciated, net	 <u>1,114,624</u>	 <u>103,370</u>	 <u>(17,453)</u>	 <u>1,200,541</u>
 <i>Governmental Activities Capital Assets, Net</i>	 <u>\$ 1,257,178</u>	 <u>\$ 103,370</u>	 <u>\$ (17,453)</u>	 <u>\$ 1,343,095</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Operation and Maintenance of Plant	\$	279,094

Note 10 – Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with Indiana Insurance Company. The deductible is \$2,500 per incident on property and \$250 per incident on equipment. All vehicles are also insured with Indiana Insurance Company and have a \$1,000 deductible. All board members, administrators, and employees are covered under a school district liability policy with Indiana Insurance Company. The limits of this coverage are \$1,000,000 per occurrence and \$6,000,000 per aggregate. The board president and superintendent have a \$20,000 position bond with the Cincinnati Insurance Company. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction from the prior year.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The treasurer is covered under a surety bond in the amount of \$20,000. This bond is provided by the Cincinnati Insurance Company.

B. Workers' Compensation

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, 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 School 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 to the GRP. A participant will then either receive money from or be required to contribute 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.

C. Employee Medical Benefits

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. An excess coverage insurance policy covers individual claims in excess of \$35,000.

Changes in the fund's claims liability amount in 2004 and 2003 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$ 69,240	\$ 1,169,134	\$ 1,077,087	\$ 161,287
2004	\$ 161,287	\$ 1,013,163	\$ 1,046,265	\$ 128,185

Note 11 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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. That 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.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School 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% 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 School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$164,364, \$152,340, and \$147,972 respectively; 52% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 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% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$641,820, \$621,516, and \$573,912 respectively. Contributions to the DC and Combined Plans for fiscal year 2004 were \$511 made by the School District and \$3,328 made by the plan members. \$110,228 represents the unpaid contribution for fiscal year 2004, and is recorded as a liability within the respective funds, 17% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$45,844 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, the health care costs paid by STRS were \$368,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll, a decrease of .92% from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between 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. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$108,190.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 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. SERS had approximately 62,000 participants currently receiving health care benefits.

Note 13 - Long - Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	<u>Outstanding 6/30/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2004</u>	<u>Due in One Year</u>
Governmental Activities:					
OSFC Construction Bonds					
4.88%, matures December 2031	<u>\$ 0</u>	<u>\$ 9,500,000</u>	<u>\$ 0</u>	<u>\$ 9,500,000</u>	<u>\$ 0</u>
Total General Obligation Bonds	<u>0</u>	<u>9,500,000</u>	<u>0</u>	<u>9,500,000</u>	<u>0</u>
Notes Payable:					
Bond Anticipation Notes					
1.54%, matures July 2004	<u>0</u>	<u>9,500,000</u>	<u>0</u>	<u>9,500,000</u>	<u>9,500,000</u>
Total Notes Payable	<u>0</u>	<u>9,500,000</u>	<u>0</u>	<u>9,500,000</u>	<u>9,500,000</u>
Compensated Absences	515,403	643,999	515,403	643,999	7,607
Capital Lease	<u>174,289</u>	<u>0</u>	<u>24,353</u>	<u>149,936</u>	<u>25,546</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 689,692</u>	<u>\$ 19,643,999</u>	<u>\$ 539,756</u>	<u>\$ 19,793,935</u>	<u>\$ 9,533,153</u>

The \$9.5 million bond anticipation notes were issued in anticipation of a future bond issuance for the construction and renovation of school building facilities of the School District. \$9.5 million of bonds were subsequently issued prior to year end, with the balance needed to be issued in fiscal year 2005. The \$9.5 million bond anticipation notes will be retired, which is scheduled for July 2004.

General obligation bonds will be paid from the debt service fund. Notes payable will be retired from the building capital projects fund. Compensated absences will be paid from the general fund and respective funds. The capital lease will be paid from the general fund.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Principal and interest requirements to retire notes payable and general obligation bonds outstanding at June 30, 2004 are as follows:

NOTES PAYABLE

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$ 9,500,000	\$ 71,989	\$ 9,571,989

GENERAL OBLIGATION BONDS PAYABLE

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$ 0	\$ 413,400	\$ 413,400
2006	235,000	411,050	646,050
2007	240,000	405,700	645,700
2008	245,000	399,025	644,025
2009	250,000	391,288	641,288
2010 - 2014	935,000	2,290,132	3,225,132
2015 - 2019	1,530,000	1,673,770	3,203,770
2020 - 2024	1,900,000	1,289,645	3,189,645
2025 - 2029	2,410,000	768,503	3,178,503
2030 - 2032	1,755,000	137,981	1,892,981
Total	<u>\$ 9,500,000</u>	<u>\$ 8,180,494</u>	<u>\$ 17,680,494</u>

Note 14 – Capital Lease

Capital lease obligations relate to the School District phone system which is leased under a long-term agreement. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments amounted to \$24,353, for the fiscal year ended June 30, 2004. The carrying cost of the capital lease assets is \$190,000.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

Year	Amount
2005	\$ 31,534
2006	31,534
2007	31,534
2008	31,534
2009	31,534
2010	10,510
Total Minimum Lease Payments	168,180
Less Amount Representing Interest	18,244
Present Value of Minimum Lease Payments	<u>\$ 149,936</u>

Note 15 – Interfund Transactions

The account balances by fund of “Interfund Receivable” and “Interfund Payable” as of June 30, 2004 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 11,280	\$ 0
Nonmajor Governmental Funds	0	11,280
Total	<u>\$ 11,280</u>	<u>\$ 11,280</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2004, all interfund payables outstanding are anticipated to be repaid in fiscal year 2005.

The following is a summarized breakdown of the School District’s transfers for fiscal year 2004:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ (29,000)
Nonmajor Governmental funds	31,320	(2,320)
	<u>\$ 31,320</u>	<u>\$ (31,320)</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 16– Deferred Revenue

Deferred revenue consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 3,266,496	\$ 3,378,666
Grants Receivable	0	76,777
Ohio School Facilities Commission	0	14,106,093
	<u>\$ 3,266,496</u>	<u>\$ 17,561,536</u>

Note 17 - Jointly Governed Organizations

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 22 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. The TCCSA council of governments consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by an executive committee chosen from the general membership of the TCCSA council of governments. The executive committee consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Ashland - Wayne County Education Services Center, which serves as fiscal agent, located at 2534 Burbank Road, Wooster, Ohio 44691. During the year ended June 30, 2004, the District paid approximately \$58,330 to TCCSA for basic service charges.

Note 18- Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition the School District.

Rittman Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

C. School Funding

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

Note 19- Subsequent Events

Subsequent to June 30, 2004, the School District began a project to renovate the Elementary School. The project is a multi-phase project anticipated to cost \$22.4 million with completion scheduled in the fall of 2007.

Note 20 - Set-Asides

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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute. Effective April 10, 2001, Senate Bill 345 amended Ohio Revised Code 5705.29 effectively eliminating the requirement for the School District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. As of June 30, 2004, the Board had not acted on the Senate Bill, in regards to the balance representing BWC rebates. These amounts are reported as Reserved for Budget on the Balance Sheet.

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Budget Stabilizaion
Set-Aside Carryover Balance as of June 30, 2003	\$ 0	\$ (166,307)	\$ 96,299
Current Year Set-Aside Requirement	168,429	168,429	0
Qualifying Disbursements	(94,292)	(139,691)	0
Total	<u>\$ 74,137</u>	<u>\$ (137,569)</u>	<u>\$ 96,299</u>
Cash Balance Carried Forward FY 2004	0	0	96,299
Amount Restricted for Set-Asides	<u>74,137</u>	<u>0</u>	<u>0</u>
Total Restricted Assets			<u>\$ 170,436</u>

The School District had qualifying disbursements during the year that reduced the textbook reserve set-asides below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years.

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 25, 2005

The Board of Education
Rittman Exempted Village School District
Rittman, Ohio

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Rittman Exempted Village School District (the District), as of and for the year then ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 25, 2005 which included an explanatory paragraph regarding the accounting change to GASB 34. 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 basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain material instances of non-compliance that we have reported to management of the District in a separate letter dated January 25, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic 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 basic 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 we have reported to management of the District in a separate letter dated January 25, 2005.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 25, 2005

The Board of Education
Rittman Exempted Village School District
Rittman, Ohio

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Rittman Exempted Village School District with the type of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Rittman Exempted Village School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Rittman Exempted Village School District's management. Our responsibility is to express an opinion on Rittman Exempted Village School District's compliance based on our audit.

We conducted our audit of compliance with those requirements in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rittman Exempted Village School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rittman Exempted Village School District's compliance with those requirements.

In our opinion, Rittman Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control over Compliance

The management of Rittman Exempted Village School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rittman Exempted Village School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rittman Exempted Village School District as of and for the year ended June 30, 2004, and have issued our report thereon dated January 25, 2005, which included an explanatory paragraph regarding the accounting change to GASB 34. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

**Rittman Exempted Village School District
Schedule of Expenditures of Federal Awards - Cash Basis
For the Fiscal Year Ended June 30, 2004**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education (Passed Through State Department of Education):					
Title 1	84.010	C1-S1-03	\$ 12,883	\$ 16,565	\$ 0
Title 1	84.010	C1S1-2004	136,298	129,117	0
<i>Total Title 1</i>			<u>149,181</u>	<u>145,682</u>	<u>0</u>
IDEA Part B	84.027	6B-SF-03P	21,749	22,184	0
IDEA Part B	84.027	6BSF-2004	159,458	158,243	0
IDEA Part B	84.027	6BSD-2003P	7,405	19,175	0
IDEA Part B	84.027	6BSD-2004	24,920	15,426	0
<i>Total IDEA Part B</i>			<u>213,532</u>	<u>215,028</u>	<u>0</u>
Title V	84.298	C2-S1-03	579	0	0
Title V	84.298	C2-S1-04	9,280	9,280	0
<i>Total Title V</i>			<u>9,859</u>	<u>9,280</u>	<u>0</u>
Title II-A	84.340	CR-S1-2003	10,365	14,813	0
Title II-A	84.367	TR-S1-2004	47,833	53,349	0
<i>Total Title II-A</i>			<u>58,198</u>	<u>68,162</u>	<u>0</u>
Title IV-A	84.186	DRS1-2001	(535)	0	0
Title IV-A	84.186	DR-S1-2004	8,840	7,974	0
Title IV-A	84.186	DR-S1-03	(440)	742	0
<i>Total IV-A</i>			<u>7,865</u>	<u>8,716</u>	<u>0</u>
Title II-D	84.318	TJ-S1-03	0	334	0
Title II-D	84.318	TJ-S1-2004	4,177	4,269	0
			<u>4,177</u>	<u>4,603</u>	<u>0</u>
State and local Education Systemic Improvement	84.276	G2S2-2000	(701)	0	0
Title IV-B	84.287	T1-S1-03	0	29,934	0
Eisenhower Professional Development	84.281	MS-S1-02	412	82	0
Total U.S. Department of Education			<u>442,523</u>	<u>481,487</u>	<u>0</u>
U. S. Department of Agriculture (Passed Through State Department of Education):					
<i>Nutrition Cluster</i>					
Food Distribution Program (A) (B)	10.550		9,932	0	9,932
National School Lunch Program (A)	10.555		113,655	113,655	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>123,587</u>	<u>113,655</u>	<u>9,932</u>
U. S. Health and Human Services (Passed Through Ohio Dept. of MRDD):					
Medical Assistance Program/CAFS	93.778		19,145	19,145	0
Total U. S. Health and Human Services			<u>19,145</u>	<u>19,145</u>	<u>0</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 585,255</u>	<u>\$ 614,287</u>	<u>\$ 9,932</u>

- (A) Federal money commingled with state subsidy reimbursements. It is assumed the money was spent on a first-in, first-out basis.
(B) Represents market value less cost.

**Rittman Exempted Village School District
Schedule of Findings and Questioned Costs
OMB CIRCULAR A-133 , Section .505
June 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	IDEA, Part B - CFDA #84.027
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



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**RITTMAN EXEMPTED VILLAGE SCHOOL DISTRICT
WAYNE 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**