

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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



**Auditor of State
Betty Montgomery**

Board of Education
Riverdale Local School District
20613 St. Rt 37
Mt Blanchard, OH 45867

We have reviewed the *Independent Auditor's Report* of the Riverdale Local School District, Hardin County, prepared by Holbrook & Manter, CPAs, 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 Riverdale Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 14, 2005

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**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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INDEPENDENT AUDITORS' REPORT

Board of Education
Riverdale Local School District
Hardin County
Mt. Blanchard, OH 45867

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverdale Local School District (the "District"), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

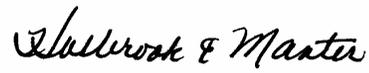
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 opinion.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005 on our consideration of the Riverdale Local 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 Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.



Certified Public Accountants

Marion, Ohio
June 30, 2005

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2004
UNAUDITED**

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

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2004 are as follows:

- In total, net assets decreased \$2,761,096.
- General revenues accounted for \$8,597,908 or 82 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,907,263 or 18 percent of total revenues of \$10,505,171.
- The District's major funds included the General Fund and the Classroom Facilities Capital Projects Fund. The General Fund had \$7,979,794 in revenues and \$8,187,756 in expenditures and other financing uses. The General Fund's balance decreased \$207,962 from the prior fiscal year. The Classroom Facilities Capital Projects Fund had \$1,076,252 in revenues and \$6,787,890 in expenditures. The Classroom Facilities Capital Projects Fund's balance decreased \$5,711,638 from the prior fiscal year.
- The revenue generated from the Debt Service Fund is used to pay for the current portion of bonded debt.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund and the Classroom Facilities Capital Projects Fund are the only two major funds.

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2004
UNAUDITED

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Classroom Facilities Capital Projects Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using 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 District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior information is available.

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2004
UNAUDITED**

THE DISTRICT AS A WHOLE

Table 1 provides a summary of the District's net assets for fiscal year 2004. A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

**Table 1
Net Assets
Governmental Activities**

	2004
ASSETS:-	
Current and other assets	\$ 9,871,614
Capital assets, net	22,688,533
Total assets	32,560,147
LIABILITIES:-	
Current and other liabilities	4,233,395
Long-term liabilities	5,900,502
Total liabilities	10,133,897
NET ASSETS:-	
Invested in capital assets, net of related debt	17,195,535
Restricted	3,412,406
Unrestricted	1,818,309
Total	\$ 22,426,250

Table 2 reflects the changes in net assets for fiscal year 2004. This is the first year of implementation for GASB 34. Comparative figures are not available for fiscal year 2003. A comparative analysis will be provided in future years when prior year information is available.

**Table 2
Change in Net Assets
Governmental Activities**

	2004
REVENUES:-	
Program Revenues:	
Charges for services and sales	\$ 634,369
Operating grants, contributions and interest	208,088
Capital grants and contributions	1,064,806
Total program revenues	1,907,263
General Revenues:	
Property taxes	2,497,375
Income taxes	900,378
Grants and entitlements	4,977,136
Interest	74,589
Miscellaneous	148,430
Total general revenues	8,597,908
Total revenues	10,505,171

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2004
UNAUDITED

Table 2
Change in Net Assets
Governmental Activities

Continued - EXPENSES:-	<u>2004</u>
Instruction	\$ 3,325,442
Support Services:	
Pupils	306,328
Instructional staff	417,526
Board of Education	239,779
Administration	957,840
Fiscal	211,148
Business	26,806
Operation and maintenance of plant	744,535
Pupil transportation	520,865
Central	64
Non-instructional	402,215
Extracurricular activities	302,232
Capital outlay	20,368
Interest and fiscal charges	268,927
Total expenses	<u><u>7,744,075</u></u>
Increase in net assets	<u><u>\$ 2,761,096</u></u>

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	<u>2004</u>		<u>2004</u>	
Instruction	\$ 3,325,442		\$ 1,743,158	
Support Services:				
Pupils	306,328		292,142	
Instructional staff	417,526		413,778	
Board of Education	239,779		239,779	
Administration	957,840		954,915	
Fiscal	211,148		211,148	
Business	26,806		26,806	
Operation and maintenance of plant	744,535		744,535	
Pupil transportation	520,865		520,865	
Central	64		64	
Non-instructional	402,215		190,795	
Extracurricular activities	302,232		209,532	
Capital outlay	20,368		20,368	
Interest and fiscal charges	268,927		268,927	
Total expenses	<u><u>\$ 7,744,075</u></u>		<u><u>\$ 5,836,812</u></u>	

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2004
UNAUDITED**

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 71 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 89 percent. The remaining 11 percent are derived from tuition and fees, specific grants, and donations.

THE DISTRICT'S FUNDS

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Classroom Facilities Capital Projects Fund. Total governmental funds had revenues of \$10,606,030 and expenditures of \$16,856,861. The net negative change of \$6,250,831 in fund balance for the year indicates that the District had difficulty in meeting current costs.

The June 30, 2003 fund balances have been restated as described in Note 3B to the basic financial statements. See Note 3B for a table which indicates the fund balance and total change in fund balance as of June 30, 2003.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$8,673,048 while actual expenditures were \$8,206,776. The \$466,272 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the District had \$22,688,533 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see Note 9 to the basic financial statements.

Debt

At June 30, 2004, the District had \$5,492,998 in building project general obligation bonds for building a new K-12 school building. The bonds were issued for a twenty-three year period, with final maturity on December 1, 2023. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2004, the District's overall legal debt margin was \$2,222,424, with an un-voted debt margin of \$85,727.

For further information regarding the District's debt, see the notes to the basic financial statements.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2004
UNAUDITED

CURRENT ISSUES

The District is holding its own in the state of a declining economy and uncertainty in State funding. The District's territory encompasses the villages of Mt Blanchard, Forest, Patterson and Wharton, and Delaware and Richland Townships, 97.6% of Jackson Township and smaller portions of 10 other townships in Northwest Ohio. It has a number of small businesses with agriculture being a major source of employment and income in the District.

The District is currently operating in the first year of the state biennium budget. 42 percent of District revenue sources are from local funds and 58 percent from state and federal funds. The total expenditure per pupil was calculated at \$7,614.

Over the past several years, the District has remained in a good financial position. In 1999, the District passed a five-year replacement levy of 6.9 mills and a three-year 1% school district income tax to generate \$1,434,747 annually. The three-year 1% school district income tax was also renewed again in Nov. 2002. These levies provide a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joeline Ribley, Treasurer, Riverdale Local School District, 20613 SR 37, Mt Blanchard, Ohio 45867.

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Governmental Activities</u>
ASSETS:-	
Equity in pooled cash and cash equivalents	\$ 3,516,844
Investments	2,420,371
Materials and supplies inventory	32,544
Accrued interest receivable	534
Accounts receivable	3,342
Intergovernmental receivable	107,779
Prepaid items	48,805
Taxes receivable	3,315,359
Income taxes receivable	397,380
Restricted Assets:	
Equity in pooled cash and cash equivalents	28,656
Non-depreciable capital assets	7,929
Depreciable capital assets, net	<u>22,680,604</u>
Total assets	<u><u>32,560,147</u></u>
LIABILITIES:-	
Accounts payable	52,672
Accrued wages and benefits	664,299
Contracts payable	80,172
Retainer payable	246,301
Intergovernmental payable	184,694
Matured compensated absences payable	4,628
Deferred revenue	3,000,629
Long-Term Liabilities:	
Due within one year	200,000
Due in more than one year	<u>5,700,502</u>
Total liabilities	<u><u>10,133,897</u></u>
NET ASSETS:	
Invested in capital assets, net of related debt	17,195,535
Restricted for debt service	242,501
Restricted for capital outlay	2,781,248
Restricted for other purposes	388,657
Unrestricted	<u>1,818,309</u>
Total net assets	<u><u>\$ 22,426,250</u></u>

See accompanying Notes to the Basic Financial Statements.

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES:-					
Instruction:					
Regular	\$ 2,094,821	\$ 333,855	\$ 37,238	\$ 1,064,806	\$ (658,922)
Special	537,407		146,385		(391,022)
Vocational	211,502				(211,502)
Other	481,712				(481,712)
Support Services:					
Pupils	306,328		14,186		(292,142)
Instructional staff	417,526		3,748		(413,778)
Board of Education	239,779				(239,779)
Administration	957,840		2,925		(954,915)
Fiscal	211,148				(211,148)
Business	26,806				(26,806)
Operation and maintenance of plant	744,535				(744,535)
Pupil transportation	520,865				(520,865)
Central	64				(64)
Operation of non-instructional services	402,215	207,814	3,606		(190,795)
Extracurricular activities	302,232	92,700			(209,532)
Capital outlay	20,368				(20,368)
Debt Service:					
Interest and fiscal charges	268,927				(268,927)
Totals	<u>\$ 7,744,075</u>	<u>\$ 634,369</u>	<u>\$ 208,088</u>	<u>\$ 1,064,806</u>	<u>(5,836,812)</u>

GENERAL REVENUES:-

Taxes:	
Property taxes, levied for general purposes	\$ 1,949,003
Property taxes, levied for capital outlay	52,166
Property taxes, levied for debt service	457,368
Property taxes, levied for other	38,838
Income taxes	900,378
Grants and entitlements not restricted to specific programs	4,977,136
Investment earnings	74,589
Miscellaneous	148,430
Total general revenues and transfers	<u>8,597,908</u>
Change in net assets	2,761,096
Net assets beginning of year	<u>19,665,154</u>
Net assets end of year	<u>\$ 22,426,250</u>

See accompanying Notes to the Basic Financial Statements.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:-				
Equity in pooled cash and cash equivalents	\$ 2,352,919	\$ 347,435	\$ 816,490	\$ 3,516,844
Investments		2,420,371		2,420,371
Materials and supplies inventory			32,544	32,544
Accrued interest receivable	534			534
Accounts receivable	587		2,755	3,342
Interfund receivable	4,535			4,535
Intergovernmental receivable			106,328	106,328
Prepaid items	48,805			48,805
Taxes receivable	2,829,831		485,528	3,315,359
Income taxes receivable	397,380			397,380
Restricted Assets:				
Equity in pooled cash and cash equivalents	28,656			28,656
Total assets	\$ 5,663,247	\$ 2,767,806	\$ 1,443,645	\$ 9,874,698
LIABILITIES:-				
Accounts payable	\$ 22,854	\$ 26,831	\$ 2,987	\$ 52,672
Accrued wages and benefits	625,806		38,493	664,299
Contracts payable		80,172		80,172
Retainer payable		246,301		246,301
Interfund payable			3,084	3,084
Intergovernmental payable	113,999		6,581	120,580
Matured compensated absences payable	3,630		998	4,628
Deferred revenue	2,683,608		501,356	3,184,964
Total liabilities	3,449,897	353,304	553,499	4,356,700
FUND BALANCES:-				
Reserved:				
Reserved for encumbrances	79,456	239,181	192,011	510,648
Reserved for inventory			32,544	32,544
Reserved for prepaid items	48,805			48,805
Reserved for property taxes	209,995		55,388	265,383
Reserved for textbooks and instructional materials	28,656			28,656
Reserved for budget stabilization	34,136			34,136
Reserved for advances	4,535			4,535
Unreserved, Undesignated, Reported in:				
General fund	1,796,279			1,796,279
Special revenue funds			252,315	252,315
Debt service funds			182,481	182,481
Capital projects funds		2,175,321	186,895	2,362,216
Total fund balances	2,201,862	2,414,502	901,634	5,517,998
Total liabilities and fund balances	\$ 5,651,759	\$ 2,767,806	\$ 1,455,133	\$ 9,874,698

See accompanying Notes to the Basic Financial Statements

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total governmental fund balances	\$	5,517,998
 <i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		22,688,533
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		184,335
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.	(64,114)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	\$ (5,492,998)
Compensated Absences Payable	(<u>407,504</u>)
Total		<u>(5,900,502)</u>
Net assets of governmental activities	\$	<u><u>22,426,250</u></u>

See accompanying Notes to the Basic Financial Statements

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:-				
Property and other local taxes	\$ 1,952,890		\$ 552,376	\$ 2,505,266
Income tax	836,606			836,606
Intergovernmental	4,788,876	\$ 1,036,756	439,623	6,265,255
Interest	35,093	39,496		74,589
Tuition and fees	286,817		42,488	329,305
Rent	4,550			4,550
Extracurricular activities			92,700	92,700
Customer sales and services			207,814	207,814
Miscellaneous	74,962		73,468	148,430
Total revenues	<u>7,979,794</u>	<u>1,076,252</u>	<u>1,408,469</u>	<u>10,464,515</u>
EXPENDITURES:-				
Current:				
Instruction:				
Regular	3,388,967		91,660	3,480,627
Special	385,734		157,941	543,675
Vocational	216,396		885	217,281
Other	481,712			481,712
Support Services:				
Pupils	217,628	3,332	99,867	320,827
Instructional staff	419,171		5,795	424,966
Board of Education	239,779			239,779
Administration	952,047		7,020	959,067
Fiscal	209,363		2,869	212,232
Business	26,806			26,806
Operation and maintenance of plant	743,480			743,480
Pupil transportation	525,013		449	525,462
Central	64			64
Operation of non-instructional services	666		378,426	379,092
Extracurricular activities	209,256		93,922	303,178
Capital outlay	30,159	6,784,558	523,651	7,338,368
Debt Service:				
Principal			249,803	249,803
Interest			268,927	268,927
Total expenditures	<u>8,046,241</u>	<u>6,787,890</u>	<u>1,881,215</u>	<u>16,715,346</u>
Excess of revenues over (under) expenditures	<u>(66,447)</u>	<u>(5,711,638)</u>	<u>(472,746)</u>	<u>(6,250,831)</u>
OTHER FINANCING SOURCES AND USES:-				
Transfers in			141,515	141,515
Transfers out	(141,515)			(141,515)
Total other financing sources and uses	<u>(141,515)</u>	<u>0</u>	<u>141,515</u>	<u>0</u>
Net change in fund balances	(207,962)	(5,711,638)	(331,231)	(6,250,831)
Fund balance (deficit) at beginning of year	2,409,824	8,126,140	1,232,865	11,768,829
Fund balance (deficit) at end of year	<u>\$ 2,201,862</u>	<u>\$ 2,414,502</u>	<u>\$ 901,634</u>	<u>\$ 5,517,998</u>

See accompanying Notes to the Basic Financial Statements

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO**

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (6,250,831)

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

Governmental funds report capital outlay as expenditures. However, on 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 capital outlay exceeds depreciation in the current year.

Capital outlay - depreciable capital assets	\$ 9,356,622	
Depreciation	(620,744)	
		8,735,878

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

Intergovernmental	(15,225)	
Income taxes	63,772	
Delinquent property taxes	(7,891)	
		40,656

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 249,803

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental payable	(6,170)	
Compensated absences payable	(8,240)	
		(14,410)

Change in net assets of governmental activities \$ 2,761,096

See accompanying Notes to the Basic Financial Statements

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:-				
Property and other local taxes	\$ 456,176	\$ 1,769,952	\$ 1,884,741	\$ 114,789
Income tax	217,915	871,659	834,253	(37,406)
Intergovernmental	1,157,415	4,865,789	4,793,675	(72,114)
Interest	15,641	50,500	35,622	(14,878)
Tuition and fees	2,369	260,114	286,230	26,116
Rent			4,550	4,550
Miscellaneous	5,094	48,289	74,962	26,673
Total revenues	<u>1,854,610</u>	<u>7,866,303</u>	<u>7,914,033</u>	<u>47,730</u>
EXPENDITURES:-				
Current:				
Instruction:				
Regular	3,660,272	3,524,102	3,390,216	133,886
Special	368,259	382,681	381,125	1,556
Vocational	136,034	223,038	214,076	8,962
Adult/continuing	271	271		271
Other	21,345	511,879	481,712	30,167
Support Services:				
Pupils	224,552	227,582	226,009	1,573
Instructional staff	369,945	435,202	427,170	8,032
Board of Education	146,321	257,942	250,708	7,234
Administration	748,176	1,000,527	945,633	54,894
Fiscal	211,522	213,922	202,190	11,732
Business	35,812	36,512	26,806	9,706
Operation and maintenance of plant	595,165	874,474	740,081	134,393
Pupil transportation	522,270	587,510	544,471	43,039
Central		250	64	186
Operation of non-instructional services	1,167	3,167	999	2,168
Extracurricular activities	140,269	226,742	208,269	18,473
Capital outlay	34,136	34,136	34,136	0
Total expenditures	<u>7,215,516</u>	<u>8,539,937</u>	<u>8,073,665</u>	<u>466,272</u>
Excess of revenues over (under) expenditures	<u>(5,360,906)</u>	<u>(673,634)</u>	<u>(159,632)</u>	<u>514,002</u>
OTHER FINANCING SOURCES AND USES:-				
Transfers In	406			0
Refund of prior year expenditures	8,264			0
Transfers out	(59,000)	(130,027)	(130,027)	0
Advances out		(3,084)	(3,084)	0
Total other financing sources and uses	<u>(50,330)</u>	<u>(133,111)</u>	<u>(133,111)</u>	<u>0</u>
Net change in fund balances	(5,411,236)	(806,745)	(292,743)	514,002
Fund balance at beginning of year	2,497,281	2,497,281	2,497,281	0
Prior year encumbrances appropriated	120,436	120,436	120,436	0
Fund balance (deficit) at end of year	<u>\$ (2,793,519)</u>	<u>\$ 1,810,972</u>	<u>\$ 2,324,974</u>	<u>\$ 514,002</u>

See accompanying Notes to the Basic Financial Statements

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
ASSETS:-		
Equity in pooled cash and cash equivalents	\$ 101,550	\$ 45,928
Investments	20,000	
Total assets	<u>121,550</u>	<u>45,928</u>
LIABILITIES:-		
Undistributed monies		45,928
Total liabilities	<u>0</u>	<u>45,928</u>
NET ASSETS:-		
Held in trust for scholarships	<u>121,550</u>	
Total net assets	<u>\$ 121,550</u>	<u>\$ 0</u>

See accompanying Notes to the Basic Financial Statements

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Private Purpose Trust</u>
ADDITIONS:-	
Interest	\$ <u>1,169</u>
Total additions	<u>1,169</u>
DEDUCTIONS:-	
Payments in Accordance with Trust Agreements	<u>350</u>
Total deductions	<u>350</u>
Change in net assets	819
Net assets beginning of year	<u>120,731</u>
Net assets end of year	\$ <u><u>121,550</u></u>

See accompanying Notes to the Basic Financial Statements

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY:-

Riverdale Local School District (the 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. Riverdale Local School District is a city school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 48 non-certified and 87 certified full-time teaching personnel who provide services to 1,049 students and other community members.

The Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

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

A. *Basis of Presentation*

The 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus 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 General Fund and the Classroom Facilities Capital Projects Fund are the District's major governmental funds:

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

Classroom Facilities Fund Capital Projects Fund - The Classroom Facilities Capital Projects Fund is used to account for the revenues and expenditures related to the construction of new school buildings.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds.

C. *Measurement Focus*

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

Fund Financial Statements

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

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

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

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

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

During fiscal year 2004, investments were limited to repurchase agreements and STAR Ohio. Repurchase agreements are reported at market value.

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$35,093 and \$39,496 in the Classroom Facilities Fund.

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

G. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the acquisition or construction of capital assets and budget stabilization.

I. Capital Assets

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

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

J. *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, except for any net residual amounts due between governmental activities, which are presented as internal balances.

K. *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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has 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 District's termination policy.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

L. *Accrued Liabilities and Long-Term Obligations*

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

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

M. *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 District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

N. *Fund Balance Reserves*

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, prepaid items, property taxes, textbooks and Instruction, budget stabilization, and advances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

O. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

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.

P. 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.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

R. Prepayments

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE:-

A. Changes in Accounting Principles

For fiscal year 2004, the District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments;" GASB No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues,"

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE:-
(continued)

GASB No. 37, “Basic Financial Statements for State and Local Governments: Omnibus,” GASB No. 38, “Certain Financial Statement Note Disclosures,” and GASB Statement No. 41, “Budgetary Comparison Schedule – Perspective Differences”, GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. At June 30, 2004, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, 38, and 41.

GASB Statement No. 34 creates new basic financial statements for reporting on the 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 government-wide financial statements split the District’s programs between governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2004, caused by the conversion to the accrual basis of accounting.

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

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

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District restated the fund liability of compensated absences that had not matured during fiscal year 2004.

B. Restatement of Fund Balance

The restatements for fund classifications, GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE:-
(continued)

	<u>General</u>	<u>Classroom Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Fund Balance June 30, 2003	\$ 2,386,182	\$ 8,126,140	\$ 1,225,701	\$ 11,738,023
GASB Statement 34 Adjustment				
Change in Fund Structure - Expendable Trust			201	201
Change in Fund Structure - Enterprise			4,240	4,240
Interpretation 6 Adjustments:				
Compensated Absences Payable	23,642		2,723	26,365
Adjusted Fund Balance	<u>\$ 2,409,824</u>	<u>\$ 8,126,140</u>	<u>\$ 1,232,865</u>	11,768,829
GASB 34 Adjustments:				
Deferred Revenue				143,679
Capital Assets				13,952,655
Long-Term Liabilities				<u>(6,200,009)</u>
Governmental Activities Net Assets at June 30, 2003				<u>\$ 19,665,154</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING:-

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

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

The following table summarizes the adjustments necessary to reconcile the budgetary basis statements to the GAAP basis statements for the General Fund.

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING:- (continued)

<u>Net Change in Fund Balance:</u>	
Budgetary Basis	\$ (292,743)
Net adjustment for revenue accruals	65,761
Net adjustment for expenditure accruals	(9,679)
Net adjustment for other sources/uses	(8,404)
Adjustment for encumbrances	<u>37,103</u>
GAAP basis	<u>\$ (207,962)</u>

NOTE 5- EQUITY IN POOLED CASH AND CASH EQUIVALENTS:-

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

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

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

Interim 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 District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 5- EQUITY IN POOLED CASH AND CASH EQUIVALENTS:- (continued)

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

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 5- EQUITY IN POOLED CASH AND CASH EQUIVALENTS:- (continued)

A. Deposits

At the year-end, the carrying amount of the District's deposits was \$480,016 and the bank balance was \$517,706. Of the bank balance:

1. \$101,200 was covered by Federal Depository Insurance; and
2. \$416,506 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions' these securities not being in the mane of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

B. Investments

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

Investments as of June 30, 2004 were as follows:

	Category 3	Carrying Value	Market Value
Repurchase Agreements	\$ 4,887,052	\$ 4,887,052	\$ 4,887,052
Star Ohio		766,281	766,281
Totals	\$ 4,887,052	\$ 5,653,333	\$ 5,653,333

The State Treasurer's Investment Pool (STAR Ohio) is not a categorized investment because it is not evidenced by securities that exist in physical or book entry form.

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

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 5- EQUITY IN POOLED CASH AND CASH EQUIVALENTS:- (continued)

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

		Cash and Cash Equivalents Deposits		Investments
GASB Statement No. 9	\$	6,133,349		
Investments:				
Repurchase Agreements	(4,887,052)	\$	4,887,052
STAR Ohio	(766,281)		766,281
GASB Statement No. 3	\$	480,016	\$	5,653,333

NOTE 6 - PROPERTY TAXES:-

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2004 were levied after April 1, 2003, on the assessed values as of December 31, 2002, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES:- (continued)

The District receives property taxes from Hardin County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were 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, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2004 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2004, was \$209,995 in the General Fund, \$4,312 in the Special Revenue Fund, and \$51,076 in the Debt Service Fund. The amount available as an advance at June 30, 2003, was \$451,934 in the General Fund, \$2,658 in the Special Revenue Fund, \$30,954 in the Debt Service Fund, and \$9,778 in the Capital Projects Fund.

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

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential \$	75,095,590	89%	\$ 76,325,620	89%
Public Utility	4,073,940	5%	4,090,190	5%
Tangible Personal	5,275,120	6%	5,311,098	6%
Total Assessed Value	\$ 84,444,650	100%	\$ 85,726,908	100%
Tax rate per \$1,000 of assessed valuation	\$40.20		\$40.20	

NOTE 7 - INCOME TAX:-

The District levies a voted tax of 1.0 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003, and will continue for three years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 - RECEIVABLES:-

Receivables at June 30, 2004, consisted of property taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 8 – RECEIVABLES:- (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
General	\$ 1,451
Food Service	21,720
Title I	36,574
Title VI	5,190
Drug Free Schools	3,133
Title II-A	36,541
Miscellaneous Federal	3,170
Total Intergovernmental Receivables	\$ 107,779

NOTE 9 - CAPITAL ASSETS:-

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

	Balance at 6/30/03 (Restated)	Additions	Reductions	Balance at 6/30/04
<u>Governmental Activities:</u>				
<u>Nondepreciable Capital Assets:</u>				
Land	\$ 7,929			\$ 7,929
Construction in Progress	11,853,880		(11,853,880)	0
Total Non-depreciable Capital Assets	11,861,809		(11,853,880)	7,929
<u>Depreciable Capital Assets:</u>				
Land Improvements	1,098,938			1,098,938
Buildings and Building Improvements	1,412,314	\$ 19,171,880		20,584,194
Furniture, Fixtures, and Equipment	1,396,098	2,014,255		3,410,353
Vehicles	758,065	24,367		782,432
Books	654,247	0		654,247
Total Depreciable Capital Assets	5,319,662	21,210,502		26,530,164
Less Accumulated Depreciation				
Land Improvements	229,405	42,525		271,930
Buildings and Building Improvements	1,136,151	259,091		1,395,242
Furniture, Fixtures, and Equipment	913,098	239,356		1,152,454
Vehicles	451,100	54,126		505,226
Books	499,062	25,646		524,708
Total Accumulated Depreciation	3,228,816	620,744	0	3,849,560
Depreciable Capital Assets, Net	2,090,846	20,589,758	(11,853,880)	22,680,604
Governmental Activities Capital Assets, Net	\$ 13,952,655	\$ 20,589,758	(11,853,880)	\$ 22,688,533

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 9 - CAPITAL ASSETS:- (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	601,208
Support Services:		
Non-Instructional Services		19,536
Total Depreciation Expense	\$	<u>620,744</u>

The District restated Capital Assets at the beginning of the year as follows:

Balance at June 30, 2003	\$	5,136,391
Restatement		12,045,080
Balance, Restated	\$	<u>17,181,471</u>

NOTE 10 - RESTRICTED ASSETS:-

The following amounts, which are reflected on the statement of net assets, are restricted for various purposes.

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 28,656

NOTE 11 - RISK MANAGEMENT:-

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted for the following insurance coverages.

Coverages provided by Utica National Insurance Group are as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents-replacement cost	\$5,000	\$36,076,664
Inland Marine Coverage	500	469,876
Automobile Liability	1,000	1,000,000
Uninsured Motorists	1,000	1,000,000
General Liability		
Per occurrence		1,000,000
Aggregate		2,000,000
Commercial Umbrella Liability		2,000,000

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 11 - RISK MANAGEMENT:- (continued)

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District participates in the School Employees' Health and Welfare Benefit Plan and Trust (the plan), a public entity shared risk pool consisting of six local school districts and the Educational Service Center. The District pays monthly premiums to the Plan for Employee medical, dental and vision benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal for the Plan, a participant is responsible for the payment for all Plan liabilities to its employees, dependents and designated beneficiaries accrued as a result of withdrawal.

NOTE 12 - DEFINED PENSION BENEFIT PLANS:-

A. *School Employees Retirement System*

The 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 per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System 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 SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$149,112, \$147,720, and \$131,714, respectively, 51 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. The unpaid contributions for fiscal year 2004 are \$72,792.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 12 - DEFINED PENSION BENEFIT PLANS:- (continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 D 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 are required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13.0 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 13 - POSTEMPLOYMENT BENEFITS:-

June 30, 2004, 2003, and 2002 were \$519,474, \$500,594, and \$496,875, respectively, 83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2004, and June 30, 2003, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the allocation rate is 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 13 - POSTEMPLOYMENT BENEFITS:- (continued)

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .35072, then adding the surcharge due as of June 30, 2004, as certified to your district by SERS.

NOTE 14 - COMPENSATED ABSENCES:-

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all personnel. Upon retirement, payment is made for 30 percent of accrued, but unused sick leave credit to a maximum of 60 days for classified employees and 60 days for certified employees, depending on the length of service with the District. If an employee retires at their earliest legal opportunity, an additional 10 days will be added to their maximum days of severance pay.

NOTE 15 - LONG-TERM OBLIGATIONS:-

During the year ended June 30, 2004, the following changes occurred in obligations reported in the Government - Wide Financial Statements:

	Balance at 06/30/03	Increase	Decrease	Balance at 06/30/04	Amount Due In one Year
Series 2003 Building Bonds	\$ 5,687,998		\$ 195,000	\$ 5,492,998	\$ 200,000
1993 Judgment Bonds	54,803		54,803		
Total Debt	5,742,801		249,803	5,492,998	200,000
Pension Obligation Payable	57,944		57,944		
Compensated Absences	399,264	\$ 407,504	399,264	407,504	
Total Long-Term Obligations	<u>\$ 6,200,009</u>	<u>\$ 407,504</u>	<u>\$ 707,011</u>	<u>\$ 5,900,502</u>	<u>\$ 200,000</u>

General Obligation Bonds - On June 1, 2002, Riverdale Local School District issued \$5,952,998 in voted general obligation bonds for school improvements. The bonds were issued for a twenty-two year period with final maturity at December 1, 2023 with an interest rate of 4.9525 percent. The bonds will be retired from the Debt Service Fund.

Judgment Bonds – On October 7, 1992, the District issued \$449,803 in unvoted general obligation bonds for the purpose of paying a judgment rendered against the District. The bonds were issued for a ten-year period with final maturity at December 1, 2003, with an interest rate of 7.00 percent. The bonds were retired from the Debt Service Fund during the year.

The District's voted legal debt margin was \$2,222,424 with an unvoted debt margin of \$85,727 at June 30, 2004.

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 15 - LONG-TERM OBLIGATIONS:- (continued)

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

Year Ending June 30,	Principal	Interest	Total
2005	\$ 200,000	\$ 246,449	\$ 446,449
2006	215,000	239,025	454,025
2007	225,000	230,770	455,770
2008	225,000	221,939	446,939
2009	235,000	212,592	447,592
2010-2014	952,998	1,285,152	2,238,150
2015-2019	1,525,000	688,825	2,213,825
2020-2024	1,915,000	255,030	2,170,030
Total	<u>\$ 5,492,998</u>	<u>\$ 3,379,782</u>	<u>\$ 8,872,780</u>

NOTE 16 – STATUTORY RESERVES:-

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2003	\$ 23,856	
Current Year Set-aside Requirement	147,208	\$ 147,208
Current Year Offsets		(145,659)
Qualifying Disbursements	(142,408)	(407,962)
Total	<u>\$ 28,656</u>	<u>\$ (406,413)</u>
Cash Balance Carried Forward to FY 2005	<u>\$ 28,656</u>	

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future year textbook set-aside requirements.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS:-

- A. *Western Ohio Computer Organization*** - The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Shelby, and Miami Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The WOCO is governed by a board of directors consisting of the superintendents of the member school districts and the degree of control is limited to the representation on the board. Financial information can be obtained from Sharon Waldsmith, who serves as the Fiscal Agent, at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.
- B. *Millstream Cooperative Vocational Career Center*** - The Millstream Cooperative Vocational Career Center (Career Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an advisory council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Treasurers from Hancock and Putnam County Educational Service Centers serve as an ex-officio capacity for all meetings. Financial information can be obtained from Findlay City School District, Pam Barber, who serves as Treasurer, at 227 South West Street, Findlay, Ohio 45840-3377.

NOTE 18 - GROUP PURCHASING POOLS:-

- A. *Ohio School Boards Association Workers' Compensation Group Rating Plan*** - The 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, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 18 - GROUP PURCHASING POOLS:- (continued)

B. *Hardin County School Employees' Health and Welfare Benefit Plan and Trust - The Hardin County School Employees' Health and Welfare Benefit Plan and Trust* (the Trust) is a public entity shared risk pool consisting of six school districts and the Hardin County Educational Service Center. The Trust is organized as a Voluntary Employee Benefit association under Section 501(c) (9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts.

Each Participating school district's superintendent is appointed to an Administrative Committee, which advises the Trustee, Ohio Bank, concerning aspects of the Trust.

Each school district decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who services as Director, at 220 East Columbus Street, P.O. Box 735, Kenton, Ohio 44326.

NOTE 19 - RELATED ORGANIZATION:-

Forest-Jackson Public Library - The Forest Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Forest-Jackson Public Library, Karen Moore, Clerk/Treasurer, at 122 East Lima Street, Forest, Ohio 45843.

NOTE 20 - SCHOOL FUNDING DECISION:-

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

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

NOTE 21 - INTERFUND TRANSFERS:-

During the year ended June 30, 2004, the District transferred \$141,515 from the General Fund to Non-major Governmental Funds. These transfers were made to pay off debt and for operating expenses.

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 22 – CONTINGENCIES:-

A. *Grants*

The 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 District at June 30, 2004.

B. *Litigation*

There are currently no matters in litigation with the District as defendant.



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

Board of Education
Riverdale Local School District
Hardin County
Mt. Blanchard, OH 45867

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Riverdale Local School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, wherein we noted the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and have issued our report thereon dated June 30, 2005. 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 Riverdale Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions with laws, regulation, 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 immaterial instances of noncompliance that we have reported to management of Riverdale Local School District in a separate letter dated June 30, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riverdale Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected in 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 the management of Riverdale Local School District in a separate letter dated June 30, 2005.

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

Shulbrook & Mante
Certified Public Accountants

Marion, Ohio
June 30, 2005

RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

No prior audit findings and questioned costs.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**RIVERDALE LOCAL SCHOOL DISTRICT
HARDIN 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
SEPTEMBER 27, 2005**