

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

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2005**





**Auditor of State  
Betty Montgomery**

Board of Education  
Riverdale Local School District  
20613 State Route 37  
Mt. Blanchard, Ohio 45867

We have reviewed the *Independent Auditors' Report* of the Riverdale Local School District, Hardin County, prepared by Holbrook & Manter, for the audit period July 1, 2004 through June 30, 2005. 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

May 16, 2006

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**RIVERDALE LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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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"), Hardin County, as of and for the fiscal year ended June 30, 2005, 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.

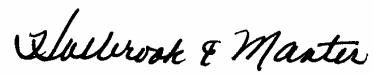
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, Hardin County, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 23 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No 2004-2, "Recognition of Pension and Other Post-employment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 17, 2006, 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 grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The 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

March 17, 2006  
Marion, Ohio



**RIVERDALE LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2005  
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, 2005. 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 2005 are as follows:

- In total, net assets decreased \$1,615,719.
- General revenues accounted for \$8,503,976 or 88 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,108,578, or 12 percent of total revenues of \$9,612,554.
- The District's major funds included the General Fund and the Classroom Facilities Capital Projects Fund. The General Fund had \$8,322,411 in revenues and other financing sources and \$8,516,653 in expenditures and other financing uses. The General Fund's balance decreased \$194,242 from the prior fiscal year. The Classroom Facilities Capital Projects Fund had \$45,263 in revenues and \$513,824 in expenditures. The Classroom Facilities Capital Projects Fund's balance decreased \$468,561 from the prior fiscal year.
- The revenue generated from the Bond Retirement 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 2005. 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, 2005  
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.

**RIVERDALE LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2005  
UNAUDITED**

***THE DISTRICT AS A WHOLE***

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004.

**TABLE 1  
NET ASSETS  
GOVERNMENTAL ACTIVITIES**

	<b>2005</b>	<b>2004</b>
<b>ASSETS:-</b>		
Current and other assets	\$ 8,864,785	\$ 9,871,614
Capital assets, net	<u>21,986,566</u>	<u>22,688,533</u>
Total assets	<u>30,851,351</u>	<u>32,560,147</u>
<b>LIABILITIES:-</b>		
Current and other liabilities	4,318,206	4,233,395
Long-term liabilities	<u>5,722,614</u>	<u>5,900,502</u>
Total liabilities	<u>10,040,820</u>	<u>10,133,897</u>
<b>NET ASSETS:-</b>		
Invested in capital assets, net of related debt	16,693,568	17,195,535
Restricted	2,492,483	3,412,406
Unrestricted	<u>1,624,480</u>	<u>1,818,309</u>
<b>Total</b>	<u>\$ 20,810,531</u>	<u>\$ 22,426,250</u>

The decrease in current assets was due to the increases in expenses during fiscal year 2005.

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

**TABLE 2  
CHANGE IN NET ASSETS  
GOVERNMENTAL ACTIVITIES**

	<b>2005</b>	<b>2004</b>
<b>REVENUES:-</b>		
Program revenues:-		
Charges for services and sales	\$ 671,987	\$ 634,369
Operating grants, contributions and interest	436,591	208,088
Capital grants and contributions	<u>0</u>	<u>1,064,806</u>
Total program revenues	<u>1,108,578</u>	<u>1,907,263</u>
Grant revenues:-		
Property taxes	2,189,583	2,497,375
Income taxes	892,880	900,378
Grants and entitlements	5,281,924	4,977,136
Gifts and donations	750	0
Interest	103,990	74,589
Miscellaneous	<u>34,849</u>	<u>148,430</u>
Total general revenues	<u>8,503,976</u>	<u>8,597,908</u>
Total revenues	<u>9,612,554</u>	<u>10,505,171</u>

**RIVERDALE LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2005  
UNAUDITED**

**TABLE 2  
CHANGE IN NET ASSETS  
GOVERNMENTAL ACTIVITIES**

	<u>2005</u>	<u>2004</u>
<b>EXPENSES:-</b>		
Instruction	\$ 6,013,992	\$ 3,325,442
Support services:-		
Pupils	255,776	306,328
Instructional staff	422,730	417,526
Board of Education	191,455	239,779
Administration	929,296	957,840
Fiscal	219,316	211,148
Business	32,511	26,806
Operations and maintenance of plant	1,037,123	744,535
Pupil transportation	551,894	520,865
Central	112	64
Non-instructional	435,725	402,215
Extracurricular activities	306,619	302,232
Capital outlay	574,323	20,368
Interest and fiscal charges	257,401	268,927
Total expenses	<u>11,228,273</u>	<u>7,744,075</u>
<b>Increase/(decrease) in net assets</b>	<u>\$ ( 1,615,719)</u>	<u>\$ 2,761,096</u>

Program revenues from capital grants of \$1,064,806 were received in fiscal year 2004, while in fiscal year 2005 the District did not receive any. A portion of the increase in expense for fiscal year 2005 is attributed to increases in wages and benefits.

***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.

**RIVERDALE LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2005  
UNAUDITED**

**TABLE 3  
GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Instruction	\$ 6,013,992	\$ 5,417,395	\$ 3,325,442	\$ 1,743,158
Support services;-				
Pupils	255,776	241,663	306,328	292,142
Instructional staff	422,730	415,142	417,526	413,778
Board of Education	191,455	191,455	239,779	239,779
Administration	929,296	913,867	957,840	954,915
Fiscal	219,316	219,316	211,148	211,148
Business	32,511	32,511	26,806	26,806
Operation and maintenance of plant	1,037,123	1,026,261	744,535	744,535
Pupil transportation	551,894	551,894	520,865	520,865
Central	112	112	64	64
Non-instructional	435,725	71,174	402,215	190,795
Extracurricular activities	306,619	207,181	302,232	209,532
Capital outlay	574,323	574,323	20,368	20,368
Interest and fiscal charges	257,401	257,401	268,927	268,927
<b>Total expenses</b>	<b>\$ 11,228,273</b>	<b>\$ 10,119,695</b>	<b>\$ 7,744,075</b>	<b>\$ 5,836,812</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 89 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 \$9,636,153 and expenditures of \$10,709,706. The net negative change of \$1,073,553 in fund balance for the year indicates that the District had difficulty in meeting current costs.

***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 2005, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$8,998,443, while actual expenditures were \$8,407,376. The \$591,067 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.

**RIVERDALE LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2005  
UNAUDITED**

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

***Capital Assets***

At the end of fiscal year 2005, the District had \$21,986,566 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

***Debt***

At June 30, 2005, the District had \$5,292,998 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, 2005, the District's overall legal debt margin was \$2,334,191, with an un-voted debt margin of \$84,747.

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

***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. 41 percent of District revenue sources are from local funds and 59 percent from state and federal funds. The total expenditure per pupil was calculated at \$7,878.

Over the past several years, the District has remained in a good financial position. In November 2004, the District passed a five-year replacement levy of 6.9 mills and a three-year 1% school district income tax to generate \$1,405,740 annually. 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, 2005**

	<u><b>Governmental Activities</b></u>
<b>ASSETS:-</b>	
Equity in pooled cash and cash equivalents	\$ 3,090,943
Investments	1,937,193
Materials and supplies inventory	11,441
Accrued interest receivable	2,047
Accounts receivable	975
Intergovernmental receivable	59,817
Prepaid items	50,972
Taxes receivable	3,332,772
Income taxes receivable	378,625
Non-depreciable capital assets	7,929
Depreciable capital assets, net	<u>21,978,637</u>
<b>Total assets</b>	<u><b>30,851,351</b></u>
<b>LIABILITIES:-</b>	
Accounts payable	187,506
Retainage payable	12,027
Accrued wages and benefits	712,707
Intergovernmental payable	190,474
Matured compensated absences payable	74,281
Deferred revenue	3,141,211
Long-Term Liabilities:	
Due within one year	215,000
Due in more than one year	<u>5,507,614</u>
<b>Total liabilities</b>	<u><b>10,040,820</b></u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	16,693,568
Restricted for debt service	239,252
Restricted for capital outlay	2,045,886
Restricted for other purposes	207,345
Unrestricted	<u>1,624,480</u>
<b>Total net assets</b>	<u><u><b>\$ 20,810,531</b></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, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>GOVERNMENTAL ACTIVITIES:-</b>				
Instruction:				
Regular	\$ 4,625,948	\$ 337,682	\$ 89,090	\$ ( 4,199,176)
Special	624,365		169,150	( 455,215)
Vocational	254,746		675	( 254,071)
Adult/continuing	271			( 271)
Other	508,662			( 508,662)
Support Services:				
Pupils	255,776		14,113	( 241,663)
Instructional staff	422,730		7,588	( 415,142)
Board of Education	191,455			( 191,455)
Administration	929,296		15,429	( 913,867)
Fiscal	219,316			( 219,316)
Business	32,511			( 32,511)
Operation and maintenance of plant	1,037,123	10,862		( 1,026,261)
Pupil transportation	551,894			( 551,894)
Central	112			( 112)
Operation of non-instructional services	435,725	224,005	140,546	( 71,174)
Extracurricular activities	306,619	99,438		( 207,181)
Capital outlay	574,323			( 574,323)
Debt Service:				
Interest and fiscal charges	257,401			( 257,401)
<b>Totals</b>	<b>\$ 11,228,273</b>	<b>\$ 671,987</b>	<b>\$ 436,591</b>	<b>\$ ( 10,119,695)</b>
<b>GENERAL REVENUES:-</b>				
Taxes:				
Property taxes, levied for general purposes			\$ 1,752,105	
Property taxes, levied for debt service			402,791	
Property taxes, levied for other			34,687	
Income taxes			892,880	
Grants and entitlements not restricted to specific programs			5,281,924	
Gifts and donations			750	
Investment earnings			103,990	
Miscellaneous			34,849	
Total general revenues and transfers			8,503,976	
Change in net assets			( 1,615,719)	
Net assets beginning of year			22,426,250	
<b>Net assets end of year</b>			<b>\$ 20,810,531</b>	

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, 2005

	<b>General Fund</b>	<b>Classroom Facilities Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:-</b>				
Equity in pooled cash and cash equivalents	\$ 2,452,466	\$ 20,775	\$ 617,702	\$ 3,090,943
Investments		1,937,193		1,937,193
Materials and supplies inventory			11,441	11,441
Accrued interest receivable	2,047			2,047
Accounts receivable	202		773	975
Interfund receivable	20,581			20,581
Intergovernmental receivable			58,366	58,366
Prepaid items	50,972			50,972
Taxes receivable	2,836,035		496,737	3,332,772
Income taxes receivable	378,625			378,625
	<u>5,740,928</u>	<u>1,957,968</u>	<u>1,185,019</u>	<u>8,883,915</u>
<b>Total assets</b>	<b>\$ 5,740,928</b>	<b>\$ 1,957,968</b>	<b>\$ 1,185,019</b>	<b>\$ 8,883,915</b>
<b>LIABILITIES:-</b>				
Accounts payable	\$ 97,031		\$ 90,475	\$ 187,506
Retainage payable		12,027		12,027
Accrued wages and benefits	665,735		46,972	712,707
Interfund payable			19,130	19,130
Intergovernmental payable	178,405		12,069	190,474
Matured compensated absences payable	74,281			74,281
Deferred revenue	2,781,970		525,489	3,307,459
	<u>3,797,422</u>	<u>12,027</u>	<u>694,135</u>	<u>4,503,584</u>
<b>Total liabilities</b>	<b>\$ 3,797,422</b>	<b>\$ 12,027</b>	<b>\$ 694,135</b>	<b>\$ 4,503,584</b>
<b>FUND BALANCES:-</b>				
Reserved:				
Reserved for encumbrances	52,852	55,414	69,252	177,518
Reserved for inventory			11,441	11,441
Reserved for prepaid items	50,972			50,972
Reserved for advances	3,916			3,916
Reserved for property taxes	113,463		29,198	142,661
Reserved for budget stabilization	34,136			34,136
Unreserved, Undesignated, Reported in:				
General fund	1,688,167			1,688,167
Special revenue funds			130,899	130,899
Debt service funds			203,918	203,918
Capital projects funds		1,890,527	46,176	1,936,703
	<u>1,943,506</u>	<u>1,945,941</u>	<u>490,884</u>	<u>4,380,331</u>
<b>Total fund balances</b>	<b>\$ 1,943,506</b>	<b>\$ 1,945,941</b>	<b>\$ 490,884</b>	<b>\$ 4,380,331</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,740,928</b>	<b>\$ 1,957,968</b>	<b>\$ 1,185,019</b>	<b>\$ 8,883,915</b>

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, 2005

<b>Total governmental fund balances</b>	\$	4,380,331
 <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.		21,986,566
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		166,248
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	\$ (	5,292,998)
Compensated Absences Payable	(	<u>429,616)</u>
		<u>( 5,722,614)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>20,810,531</u></b>

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, 2005

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:-</b>				
Property and other local taxes	\$ 1,752,037	\$	\$ 437,993	\$ 2,190,030
Income tax	897,254			897,254
Intergovernmental	5,276,782		454,999	5,731,781
Interest	58,710	45,263	17	103,990
Tuition and fees	291,284		46,398	337,682
Rent	10,862			10,862
Extracurricular activities			99,438	99,438
Gifts and donations	750			750
Customer sales and services			224,005	224,005
Miscellaneous	31,394		117	31,511
<b>Total revenues</b>	<u>8,319,073</u>	<u>45,263</u>	<u>1,262,967</u>	<u>9,627,303</u>
<b>EXPENDITURES:-</b>				
Current:				
Instruction:				
Regular	3,584,714		102,526	3,687,240
Special	416,292		212,169	628,461
Vocational	254,096		650	254,746
Adult/continuing	271			271
Other	508,662			508,662
Support Services:				
Pupils	238,601		17,175	255,776
Instructional staff	413,858		5,719	419,577
Board of Education	191,455			191,455
Administration	897,372		37,725	935,097
Fiscal	218,374		942	219,316
Business	32,511			32,511
Operation and maintenance of plant	1,005,384		72,688	1,078,072
Pupil transportation	558,274		1,063	559,337
Central	43		69	112
Operation of non-instructional services	( 5,869)		421,611	415,742
Extracurricular activities	197,103		109,516	306,619
Capital outlay		513,824	239,975	753,799
Debt Service:				
Principal			210,952	210,952
Interest			246,449	246,449
<b>Total expenditures</b>	<u>8,511,141</u>	<u>513,824</u>	<u>1,679,229</u>	<u>10,704,194</u>
<b>Excess of revenues (under) expenditures</b>	<u>( 192,068)</u>	<u>( 468,561)</u>	<u>( 416,262)</u>	<u>( 1,076,891)</u>
<b>OTHER FINANCING SOURCES AND USES:-</b>				
Transfers in			5,512	5,512
Proceeds from sale of capital assets	3,338			3,338
Transfers out	( 5,512)			( 5,512)
<b>Total other financing sources (uses)</b>	<u>( 2,174)</u>	<u>0</u>	<u>5,512</u>	<u>3,338</u>
Net change in fund balances	( 194,242)	( 468,561)	( 410,750)	( 1,073,553)
Fund balance at beginning of year-restated	<u>2,137,748</u>	<u>2,414,502</u>	<u>901,634</u>	<u>5,453,884</u>
<b>Fund balance at end of year</b>	<u>\$ 1,943,506</u>	<u>\$ 1,945,941</u>	<u>\$ 490,884</u>	<u>\$ 4,380,331</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, 2005

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ ( 1,073,553)

*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	\$ 238,248	
Depreciation	<u>( 940,215)</u>	( 701,967)

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

Intergovernmental	( 13,266)	
Income taxes	( 4,374)	
Delinquent property taxes	<u>( 447)</u>	( 18,087)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		200,000
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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:

Compensated absences payable	<u>( 22,112)</u>	<u>( 22,112)</u>
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**Change in net assets of governmental activities** \$ ( 1,615,719)

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, 2005

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>REVENUES:-</b>				
Property and other local taxes	\$ 1,929,873	\$ 1,929,873	\$ 1,848,569	\$ ( 81,304)
Income tax	871,659	871,659	911,635	39,976
Intergovernmental	5,025,806	4,927,717	5,276,782	349,065
Interest	151,514	60,000	57,197	( 2,803)
Tuition and fees	277,585	278,649	291,669	13,020
Rent		10,920	10,862	( 58)
Gifts and donations	1,000	750	750	0
Miscellaneous	10,500	56,305	31,394	( 24,911)
	<b>8,267,937</b>	<b>8,135,873</b>	<b>8,428,858</b>	<b>292,985</b>
<b>Total revenues</b>				
<b>EXPENDITURES:-</b>				
Current:				
Instruction:				
Regular	3,432,531	3,715,449	3,520,486	194,963
Special	444,724	450,463	407,210	43,253
Vocational	239,844	247,915	238,738	9,177
Adult/continuing	271	271	271	0
Other	507,800	530,300	508,662	21,638
Support Services:				
Pupils	235,858	240,031	230,376	9,655
Instructional staff	390,237	454,076	418,382	35,694
Board of Education	223,026	226,254	200,195	26,059
Administration	904,707	916,504	891,758	24,746
Fiscal	217,239	228,554	217,320	11,234
Business	17,000	40,841	32,511	8,330
Operation and maintenance of plant	1,012,945	1,050,496	971,803	78,693
Pupil transportation	530,699	578,696	549,096	29,600
Central		100	43	57
Operation of non-instructional services	2,835	2,835	2,040	795
Extracurricular activities	208,061	209,158	196,308	12,850
	<b>8,367,777</b>	<b>8,891,943</b>	<b>8,385,199</b>	<b>506,744</b>
<b>Total expenditures</b>				
<b>Excess of revenues over (under) expenditures</b>	<b>( 99,840)</b>	<b>( 756,070)</b>	<b>43,659</b>	<b>799,729</b>
<b>OTHER FINANCING SOURCES AND USES:-</b>				
Transfers In	619	84,942		( 84,942)
Proceeds from sale of capital assets		3,338	3,338	0
Advances in		619	619	0
Transfers out	( 7,500)	( 89,835)	( 5,512)	84,323
Advances out		( 16,665)	( 16,665)	0
	<b>( 6,881)</b>	<b>( 17,601)</b>	<b>( 18,220)</b>	<b>( 619)</b>
<b>Total other financing sources and uses</b>				
Net change in fund balances	( 106,721)	( 773,671)	25,439	799,110
Fund balance at beginning of year	2,324,975	2,324,975	2,324,975	0
Prior year encumbrances appropriated	56,601	56,601	56,601	0
	<b>2,274,855</b>	<b>1,607,905</b>	<b>2,407,015</b>	<b>799,110</b>
<b>Fund balance at end of year</b>	<b>\$ 2,274,855</b>	<b>\$ 1,607,905</b>	<b>\$ 2,407,015</b>	<b>\$ 799,110</b>

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, 2005

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>ASSETS:-</b>		
Equity in pooled cash and cash equivalents	\$ 62,581	\$ 38,667
Investments	<u>20,000</u>	
Total assets	<u>82,581</u>	<u>38,667</u>
<b>LIABILITIES:-</b>		
Undistributed monies		<u>38,667</u>
Total liabilities	<u>0</u>	<u>38,667</u>
<b>NET ASSETS:-</b>		
Held in trust for scholarships	<u>82,581</u>	
<b>Total net assets</b>	<u>\$ 82,581</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, 2005

	<u>Private Purpose Trust</u>
<b>ADDITIONS:-</b>	
Interest	\$ <u>2,108</u>
Total additions	<u>2,108</u>
<b>DEDUCTIONS:-</b>	
Payments in Accordance with Trust Agreements	<u>41,077</u>
Total deductions	<u>41,077</u>
Change in net assets	( 38,969)
Net assets beginning of year	<u>121,550</u>
<b>Net assets end of year</b>	<b>\$ <u><u>82,581</u></u></b>

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, 2005

**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 47 non-certified and 85 certified full-time teaching personnel who provide services to 1,079 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, 2005

**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 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, 2005

**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 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**

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.

**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.

**RIVERDALE LOCAL SCHOOL DISTRICT**  
**HARDIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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

**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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have 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.

**RIVERDALE LOCAL SCHOOL DISTRICT**  
**HARDIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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

***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.

During fiscal year 2005, investments were limited to repurchase agreements and STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. 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, 2005.

**RIVERDALE LOCAL SCHOOL DISTRICT**  
**HARDIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. During fiscal year 2005, interest revenue credit to the General Fund and the Classroom Facilities Capital Project Fund amounted to \$58,710 and \$45,263, respectively.

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.

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.

**RIVERDALE LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

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:

<u>Description</u>	<u>Estimated Lives</u>
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 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.

**RIVERDALE LOCAL SCHOOL DISTRICT**  
**HARDIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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

***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, property taxes, textbooks and instruction materials and budget stabilization.

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. The reserve for capital acquisitions represents money to be set aside by statute for improvements and/or construction of District buildings.

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**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. Accordingly, actual results may differ from those estimates.

***Q. 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

***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.



**RIVERDALE LOCAL SCHOOL DISTRICT  
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**NOTE 3 - 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.

<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis	\$ ( 194,242)
<b>Increase (Decrease) Due To:</b>	
Revenue accruals:-	
Accrued FY 2004, received in cash FY 2005	544,724
Accrued FY 2005, not yet received in cash	( 434,939)
Expenditure accruals:-	
Accrued FY 2004, paid in cash FY 2005	( 781,598)
Accrued FY 2005, not yet paid in cash	964,480
Advances net	( 16,046)
Encumbrances outstanding at year end (budget basis)	( 56,940)
Budget basis	\$ 25,439

**NOTE 4 - DEPOSITS AND INVESTMENTS:-**

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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.

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**NOTE 4 - DEPOSITS AND INVESTMENTS:-** (continued)

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.

Interim monies held by the District can 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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. Investments may only be made through specified dealers and institutions.

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**NOTE 4 - DEPOSITS AND INVESTMENTS:-** (continued)

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."

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$183,271 of the District's bank balance of \$283,271 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least five percent of the deposits secured.

**B. Investments**

As of June 30, 2005, the District had \$4,893,357 invested in repurchase agreements.

*Interest Rate Risk* – The District has no investment policy that addresses interest rate risk. State statute requires that an investment matures within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

*Custodial Credit Risk*- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District had no investment policy dealing with investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk*- The District places no limit on the amount it may invest in any one issuer, however, state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time.

**RIVERDALE LOCAL SCHOOL DISTRICT**  
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**NOTE 5 - 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 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2005 were levied after April 1, 2004, on the assessed values as of December 31, 2003, 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 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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.

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, 2005 are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued 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, 2005 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 2005 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, 2005, was \$113,463 in the General Fund, \$2,321 in the Special Revenue Fund, and \$26,877 in the Bond Retirement Debt Service Fund. 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 Bond Retirement Debt Service Fund.

**RIVERDALE LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - PROPERTY TAXES:-** (continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential	\$ 76,325,620	89%	\$ 76,136,970	90%
Public utility	4,090,190	5%	4,115,280	5%
Tangible personal	5,311,098	6%	4,494,295	5%
Total assessed value	<u>\$ 85,726,908</u>	<u>100%</u>	<u>\$ 84,746,545</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$40.20		\$40.20	

**NOTE 6 - 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 7 - RECEIVABLES:-**

Receivables at June 30, 2005, 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.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
<b>Government activities:-</b>	
General:-	
Title VI-B	\$ 1,451
Title I	29,494
Title VI	3,248
Drug Free School	1,748
Title II-A	22,881
Miscellaneous federal	995
<b>Total intergovernmental receivables</b>	<u>\$ 59,817</u>

**RIVERDALE LOCAL SCHOOL DISTRICT**  
**HARDIN COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS:-**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2005</u>
<b>Governmental Activities:-</b>				
Nondepreciable capital assets:-				
Land	\$ 7,929	\$	\$	\$ 7,929
Total nondepreciable capital assets	7,929			7,929
<b>Depreciable Capital Assets:-</b>				
Land improvements	1,098,938			1,098,938
Buildings and building improvements	20,584,194	140,481		20,724,675
Furniture, fixtures and equipment	3,410,353	38,508		3,448,861
Vehicles	782,432	59,259		841,691
Books	654,247			654,247
Total depreciable capital assets	<u>26,530,164</u>	<u>238,248</u>		<u>26,768,412</u>
Less accumulated depreciation:-				
Land improvements	271,930	57,530		329,460
Buildings and building improvements	1,395,242	496,613		1,891,855
Furniture, fixtures and equipment	1,152,454	316,173		1,468,627
Vehicles	505,226	51,134		556,360
Books	524,708	18,765		543,473
Total accumulated depreciation	<u>3,849,560</u>	<u>940,215</u>		<u>4,789,775</u>
Depreciable capital assets, net	<u>22,680,604</u>	<u>( 701,967)</u>		<u>21,978,637</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 22,688,533</u>	<u>\$ ( 701,967)</u>	<u>\$ 0</u>	<u>\$ 21,986,566</u>

Depreciation expense was charged to governmental functions as follows:-

<b>Instruction:-</b>	
Regular	\$ 916,520
Special	191
<b>Support Services:-</b>	
Administration	270
Operation and maintenance of plant	406
Non-instructional services	19,762
Capital outlay	<u>3,066</u>
<b>Total depreciation expense</b>	<u>\$ 940,215</u>

**RIVERDALE LOCAL SCHOOL DISTRICT  
HARDIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 9 - RESTRICTED ASSETS:-**

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

	<b>Governmental Activities</b>
<b>ASSETS:-</b>	
Equity in pooled cash and cash equivalents	\$ 77,253

**NOTE 10 - 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 2005, the District contracted for the following insurance coverages.

Coverages provided by Utica National Insurance Group are as follows:

<b>Type of Coverage</b>	<b>Deductible</b>	<b>Liability Limit</b>
Building and Contents-replacement cost	\$5,000	\$38,183,564
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

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

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). 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**  
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**NOTE 10 - RISK MANAGEMENT:-** (continued)

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 11 - 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, 2005, 2004, and 2003 were \$155,112, \$149,112, and \$147,720, respectively, 47 percent has been contributed for fiscal year 2005, and 100 percent for fiscal years 2004 and 2003. The unpaid contributions for fiscal year 2005 are \$82,320.

**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.



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**NOTE 11 - DEFINED PENSION BENEFIT PLANS:-** (continued)

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, 2005, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, 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 June 30, 2005, 2004, and 2003 were \$545,815, \$519,474, and \$500,594, respectively, 84 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**RIVERDALE LOCAL SCHOOL DISTRICT**  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS:-**

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, 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 \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 111,395 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. The target level for the health care reserve is 150% of annual health care expenses, before premium, deduction. 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  
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**NOTE 12 - 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 13 - 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 14 - LONG-TERM OBLIGATIONS:-**

During the year ended June 30, 2005, the following changes occurred in obligations reported in the Government - Wide Financial Statements:

	<b>Balance at 6-30-04</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 6-30-05</b>	<b>Due Within One Year</b>
Series 2003 Building Bonds	\$ 5,492,998	\$	\$ 200,000	\$ 5,292,998	\$ 215,000
Compensated absences	407,504	429,616	407,504	429,616	
<b>Total</b>	<b>\$ 5,900,502</b>	<b>\$ 429,616</b>	<b>\$ 607,504</b>	<b>\$ 5,722,614</b>	<b>\$ 215,000</b>

*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.

**RIVERDALE LOCAL SCHOOL DISTRICT**  
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FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 14 - LONG-TERM OBLIGATIONS:-** (continued)

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2005, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	250,000	202,432	452,432
2011-2015	977,998	1,250,234	2,228,232
2016-2020	1,600,000	610,700	2,210,700
2021-2024	1,565,000	165,640	1,730,640
<b>Total</b>	<u>\$ 5,292,998</u>	<u>\$ 3,133,332</u>	<u>\$ 8,426,330</u>

**NOTE 15 - SET-ASIDE CALCULATIONS AND FUND 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. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2005, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ 28,656	\$
Current year set-aside requirement	155,071	155,071
Qualifying disbursements	( 118,501)	( 224,841)
Total	<u>\$ 65,226</u>	<u>\$ ( 69,770)</u>
Cash balance carried forward to FY 2006	<u>\$ 65,226</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, 2005

**NOTE 16 - 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, 4<sup>th</sup> 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 17 - 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, 2005

**NOTE 17 - 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 18 - 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 19 - 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 20 - INTERFUND TRANSFERS:-**

During the year ended June 30, 2005, the District transferred \$5,512 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, 2005**

**NOTE 21 - 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, 2005.

**B. Litigation**

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

**NOTE 22 - CHANGE IN ACCOUNTING PRINCIPLE:-**

The District has elected to implement Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement NO. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Implementation of GASB 40 has no impact on the District's financial position or results of operations.

**NOTE 23 - RESTATEMENT OF FUND BALANCES:-**

The District has implemented GASB Technical Bulletin No. 2004-02. *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*". This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of this Bulletin had the following effect on the fund balance of the General Fund as previously reported at June 30, 2004:

	<b><u>General Fund</u></b>
Fund balance, June 30, 2004	\$ 2,201,862
GASB Technical Bulletin No. 2004-02	( 64,114)
<b>Restated fund balance, June 30, 2004</b>	<b>\$ <u>2,137,748</u></b>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN 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 (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2006. As disclosed in Note 23 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2 "Recognition of Pension and Other Post-employment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended 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.

**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 would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Riverdale Local School District in a separate letter dated March 17, 2006.

**Compliance and Other Matters**

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 grant agreements, 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 March 17, 2006.

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

*Shuller & Master*

Certified Public Accountants

March 17, 2006  
Marion, Ohio

**RIVERDALE LOCAL SCHOOL DISTRICT**  
**HARDIN COUNTY, OHIO**  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

No prior audit findings and questioned costs.



**Auditor of State  
Betty Montgomery**

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**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  
MAY 30, 2006**