



Mary Taylor, CPA
Auditor of State

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Riverside Local School District
Logan County
2096 County Road 24 South
Degraff, Ohio 43318

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Riverside Local School District, Logan County, (the District), as of and for the fiscal years ended June 30, 2008 and June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Riverside Local School District, Logan County, as of June 30, 2008 and 2007, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the fiscal years then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principals generally accepted in the United States requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

January 13, 2009

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The management's discussion and analysis of the Riverside 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, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets of governmental activities decreased \$1,219,445 which represents a 10.0% decrease from 2007.
- General revenues accounted for \$5,835,189 in revenue or 77.26% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, capital grants and contributions accounted for \$1,717,580 or 22.74% of total revenues of \$7,552,769.
- The District had \$8,772,214 in expenses related to governmental activities; \$1,717,580 of these expenses were offset by program specific charges for services and sales, operating grants and contributions, and capital grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,835,189 were not adequate to provide for these programs.
- The District's only major governmental fund is the General Fund. The General Fund had \$6,179,647 in revenues and \$6,927,062 in expenditures and other financing uses. During fiscal year 2008, the General Fund's fund balance decreased \$747,415 from \$870,504 to \$123,089.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

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

In the Statement of Net Assets and the Statement of Activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. These services are primarily funded by property tax revenues and from intergovernmental revenues, including unrestricted state entitlements, federal and state grants and other shared revenues.

The District's Statement of Net Assets and Statement of Activities can be found on pages 13 and 14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the General Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-47 of this report.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets at June 30, 2008 and June 30, 2007.

| | Net Assets | |
|--|--|--|
| | Governmental Activities June 30, 2008 | Governmental Activities June 30, 2007 |
| Assets | | |
| Current Assets | \$ 3,448,117 | \$ 4,161,287 |
| Capital Assets, Net | 12,939,774 | 13,492,904 |
| Total Assets | <u>16,387,891</u> | <u>17,654,191</u> |
| Liabilities | | |
| Current Liabilities | 2,656,845 | 2,530,875 |
| Long-Term Liabilities | 2,784,538 | 2,957,363 |
| Total Liabilities | <u>5,441,383</u> | <u>5,488,238</u> |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | 10,882,957 | 11,286,087 |
| Restricted | 420,922 | 486,470 |
| Unrestricted (deficit) | (357,371) | 393,396 |
| Total Net Assets | <u>\$10,946,508</u> | <u>\$12,165,953</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$10,946,508.

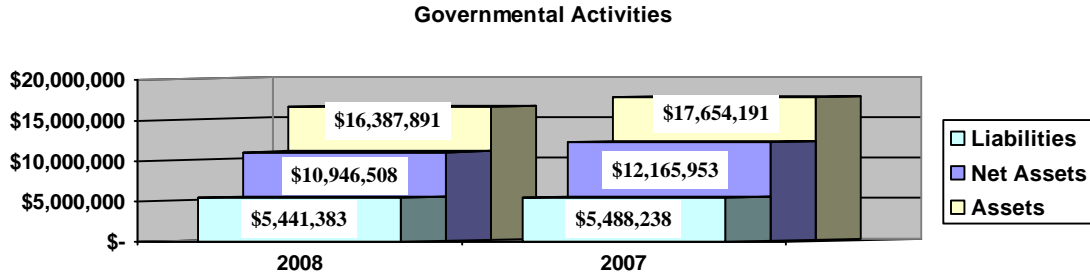
At year-end, capital assets represented 78.96% of total assets. Capital assets include land; land improvements; buildings and improvements; furniture, fixtures, and equipment; vehicles; and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$10,882,957. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$420,922, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net assets balance is a deficit of \$357,371.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The graph below illustrates the District's assets, liabilities and net assets at June 30, 2008 and June 30, 2007:



The table below shows the change in net assets for fiscal years 2008 and 2007.

| | Change in Net Assets | |
|------------------------------------|---|---|
| | Governmental Activities 2008 | Governmental Activities 2007 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$ 947,888 | \$ 929,574 |
| Operating Grants and Contributions | 766,954 | 810,412 |
| Capital Grants and Contributions | 2,738 | 4,622 |
| General Revenues: | | |
| Property Taxes | 1,458,643 | 1,434,156 |
| School District Income Tax | 538,281 | 472,562 |
| Grants and Entitlements | 3,743,060 | 3,679,841 |
| Investment Earnings | 75,977 | 107,339 |
| Miscellaneous | 19,228 | 37,868 |
| Total Revenues | 7,552,769 | 7,476,374 |
| Expenses: | | |
| Program Expenses: | | |
| Instruction: | | |
| Regular | 3,958,835 | 3,988,541 |
| Special | 760,355 | 716,149 |
| Vocational | 132,550 | 158,776 |
| Support Services: | | |
| Pupil | 216,180 | 188,255 |
| Instructional Staff | 584,836 | 485,472 |
| Board of Education | 18,421 | 13,200 |
| Administration | 633,983 | 639,719 |
| Fiscal | 252,759 | 279,578 |
| Business | 15,455 | 26,700 |
| Operations and Maintenance | 873,130 | 870,865 |
| Pupil Transportation | 467,541 | 408,102 |
| Central | 42,016 | 12,920 |

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

| | Change in Net Assets (Continued) | |
|---|---|---|
| | Governmental Activities 2008 | Governmental Activities 2007 |
| Expenses: (Continued) | | |
| Operation of Non-Instructional Services: | | |
| Food Service Operations | 368,172 | 371,209 |
| Other Non-Instructional Services | | 750 |
| Extracurricular Activities | 332,468 | 316,824 |
| Interest and Fiscal Charges | 115,513 | 116,467 |
| Total Expenses | 8,772,214 | 8,593,527 |
| Change in Net Assets | (1,219,445) | (1,117,153) |
| Net Assets at Beginning of Year | 12,165,953 | 13,283,106 |
| Net Assets at End of Year | \$10,946,508 | \$12,165,953 |

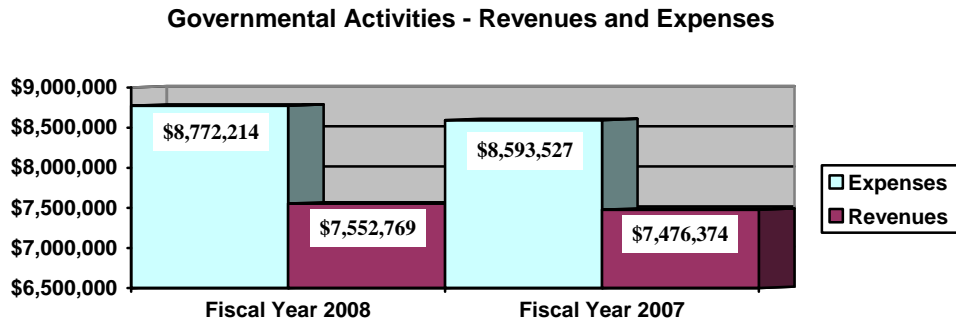
Governmental Activities

Net assets of the District's governmental activities decreased \$1,219,445. While the District had a slight increase in revenues, this increase was more than offset by an increase in expenditures related to pupil transportation, central support services, and extracurricular activities. Total governmental expenses of \$8,772,214 were offset by program revenues of \$1,717,580 and general revenues of \$5,835,189. Program revenues supported 19.58% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from taxes, and grants and entitlements. These revenue sources represent 76% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,851,740 or 55.3% of total governmental expenses for fiscal year 2008.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2008 and 2007.



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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

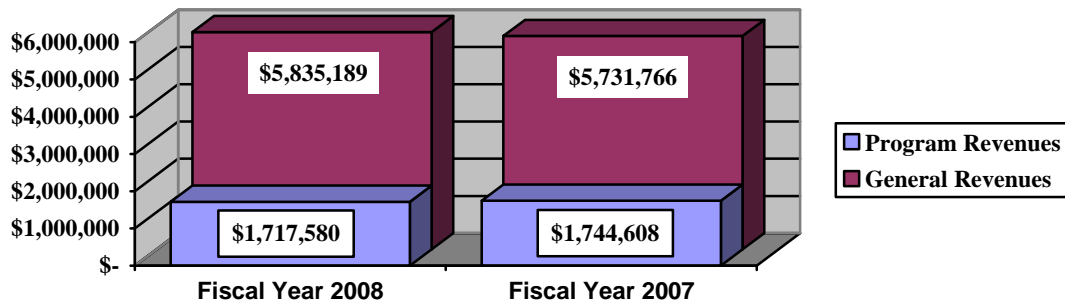
Governmental Activities

| | Total Cost of Services 2008 | Net Cost of Services 2008 | Total Cost of Services 2007 | Net Cost of Services 2007 |
|---|--|--|--|--|
| Program Expenses: | | | | |
| Instruction: | | | | |
| Regular | \$3,958,835 | \$3,406,615 | \$3,988,541 | \$3,333,044 |
| Special | 760,355 | 286,862 | 716,149 | 275,134 |
| Vocational | 132,550 | 105,636 | 158,776 | 132,205 |
| Support Services: | | | | |
| Pupil | 216,180 | 192,466 | 188,255 | 168,048 |
| Instructional Staff | 584,836 | 420,680 | 485,472 | 404,233 |
| Board of Education | 18,421 | 18,421 | 13,200 | 13,200 |
| Administration | 633,983 | 633,983 | 639,719 | 635,934 |
| Fiscal | 252,759 | 252,720 | 279,578 | 279,553 |
| Business | 15,455 | (530) | 26,700 | (9,082) |
| Operations and Maintenance | 873,130 | 860,469 | 870,865 | 832,799 |
| Pupil Transportation | 467,541 | 429,327 | 408,102 | 379,560 |
| Central | 42,016 | 37,016 | 12,920 | 3,684 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 368,172 | 29,803 | 371,209 | 44,759 |
| Other Non-Instructional Services | | | 750 | 126 |
| Extracurricular Activities | 332,468 | 265,653 | 316,824 | 239,255 |
| Interest and Fiscal Charges | 115,513 | 115,513 | 116,467 | 116,467 |
| Total Expenses | \$8,772,214 | \$7,054,634 | \$8,593,527 | \$6,848,919 |

The dependence upon tax and other general revenues for governmental activities is apparent, 78.3% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.42%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$606,872, which is lower than last year's total of \$1,370,165. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and June 30, 2007.

| | <u>Fund Balance June 30, 2008</u> | <u>Fund Balance June 30, 2007</u> | <u>Increase/ (Decrease)</u> | <u>Percentage Change</u> |
|--------------------|---------------------------------------|---------------------------------------|---------------------------------|------------------------------|
| General | \$123,089 | \$870,504 | (\$747,415) | (85.86) % |
| Other Governmental | 483,783 | 499,661 | (15,878) | (3.18) % |
| Total | <u>\$606,872</u> | <u>\$1,370,165</u> | <u>(\$763,293)</u> | (55.71) % |

General Fund

The District's General Fund, fund balance decreased by \$747,415. Expenditures exceeded revenues for fiscal year 2008 by \$746,415. The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

| | <u>2008 Amount</u> | <u>2007 Amount</u> | <u>Increase/ (Decrease)</u> | <u>Percentage Change</u> |
|----------------------------|------------------------|------------------------|---------------------------------|------------------------------|
| Revenues | | | | |
| Taxes | \$1,651,649 | \$1,599,269 | \$52,380 | 3.28 % |
| Tuition | 495,065 | 578,859 | (83,794) | (14.48) % |
| Earnings on Investments | 75,977 | 107,339 | (31,362) | (29.22) % |
| Intergovernmental | 3,912,226 | 3,881,062 | 31,164 | 0.80 % |
| Other Revenues | 44,730 | 58,153 | (13,423) | (23.08) % |
| Total | <u>6,179,647</u> | <u>6,224,682</u> | <u>(45,035)</u> | (0.72) % |
| Expenditures | | | | |
| Instruction | 4,191,350 | 4,281,439 | (90,089) | (2.10) % |
| Support Services | 2,528,710 | 2,411,158 | 117,552 | 4.88 % |
| Extracurricular Activities | 206,002 | 198,916 | 7,086 | 3.56 % |
| Total | <u>\$6,926,062</u> | <u>\$6,891,513</u> | <u>\$34,549</u> | 0.50 % |

Overall revenues of the General Fund decreased \$45,035 or 0.72%. The most significant decreases were in the areas of tuition and earnings on investment. Tuition decreased \$83,794 or 14.48%. This decrease is primarily due to a decrease in open enrollment tuition receipts in comparison to fiscal year 2007. Earnings on investment decreased \$31,362 or 29.22%. This decrease is primarily due to a decrease in funds available to invest during fiscal year 2008.

Overall expenditures of the General Fund increased \$34,549 or 0.50%. The most significant increase was in the area of support service expenditures. Support service expenditures increased \$117,552 or 4.88%. This decrease is primarily due to an increase in accrued wages for staff from fiscal year 2007.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

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 2008, the District amended its General Fund budget several times. For the General Fund, original budgeted revenues and other financing sources were \$6,406,960 and final budgeted revenues and other financing sources were \$6,773,155. Actual revenues and other financing sources for fiscal year 2008 were \$6,772,227.

General Fund original appropriations and other financing uses totaled \$7,396,579 and final appropriations and other financing uses totaled \$7,563,310. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$7,562,384, which is lower than the final budget appropriations by \$926.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$12,939,774 invested in land; land improvements; buildings and improvements; furniture, fixtures, and equipment; vehicles; and textbooks. This entire amount is reported in governmental activities.

The following table shows June 30, 2008 balances compared to June 30, 2007:

| Capital Assets at June 30 (Net of Depreciation) | | |
|--|--------------------------------|----------------------|
| | Governmental Activities | |
| | June 30, 2008 | June 30, 2007 |
| Land | \$11,423 | \$11,423 |
| Land Improvements | 890,591 | 964,918 |
| Building and Improvements | 11,267,793 | 11,604,799 |
| Furniture, Fixtures, and Equipment | 626,878 | 719,101 |
| Vehicles | 143,089 | 192,663 |
| Total | \$12,939,774 | \$13,492,904 |

The overall decrease in capital assets of \$553,130 is due to depreciation of \$588,464 exceeding capital outlays of \$35,334 in fiscal year 2008. All disposals were fully depreciated at June 30, 2008.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Debt Administration

At June 30, 2008, the District had \$2,189,189 in general obligation bonds outstanding for building improvements. Of this total, \$155,000 is due within one year and \$2,034,189 is due within greater than one year. The following table summarizes the bonds outstanding.

| <u>Outstanding Debt, at Fiscal year End</u> | | |
|---|---|---|
| | <u>Governmental Activities 2008</u> | <u>Governmental Activities 2007</u> |
| General Obligation Bonds | <u>\$2,189,189</u> | <u>\$2,308,416</u> |
| Total | <u>\$2,189,189</u> | <u>\$2,308,416</u> |

At June 30, 2008, the District's overall legal debt margin was \$3,153,131, and an unvoted debt margin of \$57,852.

Current Financial Related Activities

The District is holding its own in the state of a declining economy and uncertainty in State funding. DeGraff and Quincy are small rural communities in West Central Ohio. They have a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. Approximately 26 percent of District revenue source is from local property and income taxes, approximately 60 percent is from state and federal funds and the remainder is from other sources. The total expenditure per pupil was calculated at \$8,878.

Over the past several years, the District has remained in a good financial position. 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, the long term effects of public utility deregulation, the reduction of personal property for business inventory, and the proposed changes in the state biennial budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Lisa Fahncke, Treasurer, Riverside Local School District, 2096 CR 24 S, DeGraff, Ohio 43318.

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**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

| | <u>Governmental Activities</u> |
|--|---|
| Assets: | |
| Equity in Pooled Cash and Investments | \$1,196,903 |
| Receivables: | |
| Taxes | 2,121,383 |
| Accounts | 2,474 |
| Intergovernmental | 30,261 |
| Accrued Interest | 6,193 |
| External Party Receivable | 20,000 |
| Materials and Supplies Inventory | 16,204 |
| Unamortized Bond Issue Costs | 54,699 |
| Capital Assets: | |
| Land | 11,423 |
| Depreciable Capital Assets, Net | 12,928,351 |
| Capital Assets, Net | <u>\$12,939,774</u> |
| Total Assets | <u>16,387,891</u> |
| Liabilities: | |
| Accounts Payable | 57,941 |
| Accrued Wages and Benefits | 633,867 |
| Pension Obligation Payable | 167,566 |
| Intergovernmental Payable | 46,555 |
| Unearned Revenue | 1,745,247 |
| Accrued Interest Payable | 5,669 |
| Long-Term Liabilities: | |
| Due Within One Year | 184,039 |
| Due in More Than One Year | 2,600,499 |
| Total Liabilities | <u>5,441,383</u> |
| Net Assets: | |
| Invested in Capital Assets, Net of Related Debt | 10,882,957 |
| Restricted for: | |
| Capital Projects | 73,249 |
| Debt Service | 142,643 |
| Classroom Facilities Maintenance | 177,465 |
| State Funded Programs | 8,869 |
| District Managed Student Activities | 7,696 |
| Other Purposes | 11,000 |
| Unrestricted (deficit) | (357,371) |
| Total Net Assets | <u><u>\$10,946,508</u></u> |

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|--|--------------------------------------|--|--|--|
| Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$3,958,835 | \$519,900 | \$32,320 | (\$3,406,615) |
| Special | 760,355 | | 473,493 | (286,862) |
| Vocational | 132,550 | | 26,914 | (105,636) |
| Support Services: | | | | |
| Pupil | 216,180 | 1,610 | 22,104 | (192,466) |
| Instructional Staff | 584,836 | 728 | 163,428 | (420,680) |
| Board of Education | 18,421 | | | (18,421) |
| Administration | 633,983 | | | (633,983) |
| Fiscal | 252,759 | | 39 | (252,720) |
| Business | 15,455 | 15,002 | 983 | 530 |
| Operations and Maintenance | 873,130 | 97 | 12,564 | (860,469) |
| Pupil Transportation | 467,541 | 9,656 | 25,820 | (429,327) |
| Central | 42,016 | | 5,000 | (37,016) |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 368,172 | 337,792 | 577 | (29,803) |
| Extracurricular Activities | 332,468 | 63,103 | 3,712 | (265,653) |
| Interest and Fiscal Charges | 115,513 | | | (115,513) |
| Total Governmental Activities | \$8,772,214 | \$947,888 | \$766,954 | \$2,738 |
| General Revenues: | | | | |
| Property Taxes Levied For: | | | | |
| General Purposes | | | | 1,134,161 |
| Debt Service | | | | 229,212 |
| Capital Projects | | | | 74,144 |
| Special Revenue | | | | 21,126 |
| School District Income Tax | | | | 538,281 |
| Grants and Entitlements Not Restricted to Specific Programs | | | | 3,743,060 |
| Investment Earnings | | | | 75,977 |
| Miscellaneous | | | | 19,228 |
| Total General Revenues | | | | 5,835,189 |
| Change in Net Assets | | | | (1,219,445) |
| Net Assets at Beginning of Year | | | | 12,165,953 |
| Net Assets at End of Year | | | | \$10,946,508 |

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------|---|---|
| Assets: | | | |
| Equity in Pooled Cash and Investments | \$731,569 | \$465,334 | \$1,196,903 |
| Receivables: | | | |
| Taxes | 1,816,365 | 305,018 | 2,121,383 |
| Accounts | 2,212 | 262 | 2,474 |
| Intergovernmental | 4,919 | 25,342 | 30,261 |
| Interfund Loans | 12,414 | | 12,414 |
| Accrued Interest | 5,966 | 227 | 6,193 |
| External Party Receivable | 20,000 | | 20,000 |
| Materials and Supplies Inventory | 10,678 | 5,526 | 16,204 |
| Total Assets | <u>2,604,123</u> | <u>801,709</u> | <u>3,405,832</u> |
| Liabilities: | | | |
| Accounts Payable | 55,759 | 2,182 | 57,941 |
| Accrued Wages and Benefits | 627,013 | 6,854 | 633,867 |
| Compensated Absences Payable | 18,166 | | 18,166 |
| Pension Obligation Payable | 156,673 | 10,893 | 167,566 |
| Intergovernmental Payable | 45,644 | 911 | 46,555 |
| Interfund Loan Payable | | 12,414 | 12,414 |
| Deferred Revenue | 99,288 | 17,916 | 117,204 |
| Unearned Revenue | 1,478,491 | 266,756 | 1,745,247 |
| Total Liabilities | <u>2,481,034</u> | <u>317,926</u> | <u>2,798,960</u> |
| Fund Balances: | | | |
| Reserved for Encumbrances | 25,079 | 26,492 | 51,571 |
| Reserved for Materials and Supplies Inventory | 10,678 | 5,526 | 16,204 |
| Reserved for Debt Service | | 119,909 | 119,909 |
| Reserved for Tax Revenue Unavailable for Appropriation | 67,558 | 20,346 | 87,904 |
| Unreserved, Undesignated, Reported in: | | | |
| General Fund | 19,774 | | 19,774 |
| Special Revenue Funds | | 246,983 | 246,983 |
| Capital Projects Funds | | 64,527 | 64,527 |
| Total Fund Balances | <u>123,089</u> | <u>483,783</u> | <u>606,872</u> |
| Total Liabilities and Fund Balances | <u>\$2,604,123</u> | <u>\$801,709</u> | <u>\$3,405,832</u> |

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

| | | |
|--|--------------------|----------------------------|
| Total Governmental Fund Balances | | \$606,872 |
| Amounts reported for governmental activities on the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 12,939,774 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Taxes | \$114,393 | |
| Intergovernmental Revenue | <u>2,811</u> | |
| Total | | 117,204 |
| Unamortized deferred charges are not recognized in the funds. | | 160,840 |
| Unamortized premiums on bond issuance is not recognized in the funds. | | (215,539) |
| Unamortized bond issuance costs are not recognized in the funds. | | 54,699 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (5,669) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated Absences | (522,484) | |
| General Obligation Bonds | <u>(2,189,189)</u> | |
| Total | | <u>(2,711,673)</u> |
| Net Assets of Governmental Activities | | <u><u>\$10,946,508</u></u> |

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | General | Other Governmental Funds | Total Governmental Funds |
|---|------------------|---|---|
| Revenues: | | | |
| From Local Sources: | | | |
| Taxes | \$1,651,649 | \$322,198 | \$1,973,847 |
| Tuition | 495,065 | | 495,065 |
| Transportation Fees | 9,656 | | 9,656 |
| Charges for Services | | 219,358 | 219,358 |
| Earnings on Investments | 75,977 | 7,180 | 83,157 |
| Extracurricular | | 72,682 | 72,682 |
| Classroom Materials and Fees | 15,749 | 3,910 | 19,659 |
| Other Local Revenues | 19,325 | 22,895 | 42,220 |
| Intergovernmental - Intermediate | | 1,400 | 1,400 |
| Intergovernmental - State | 3,912,226 | 278,417 | 4,190,643 |
| Intergovernmental - Federal | | 445,273 | 445,273 |
| Total Revenues | 6,179,647 | 1,373,313 | 7,552,960 |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 3,615,260 | 61,481 | 3,676,741 |
| Special | 460,199 | 286,601 | 746,800 |
| Vocational | 115,891 | | 115,891 |
| Support Services: | | | |
| Pupil | 192,794 | 24,302 | 217,096 |
| Instructional Staff | 391,231 | 161,659 | 552,890 |
| Board of Education | 18,421 | | 18,421 |
| Administration | 596,580 | | 596,580 |
| Fiscal | 240,817 | 8,668 | 249,485 |
| Business | | 15,455 | 15,455 |
| Operations and Maintenance | 629,741 | 203,553 | 833,294 |
| Pupil Transportation | 422,110 | | 422,110 |
| Central | 37,016 | 5,000 | 42,016 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | | 313,422 | 313,422 |
| Extracurricular Activities | 206,002 | 74,773 | 280,775 |
| Debt Service: | | | |
| Principal Retirement | | 150,000 | 150,000 |
| Interest and Fiscal Charges | | 85,277 | 85,277 |
| Total Expenditures | 6,926,062 | 1,390,191 | 8,316,253 |
| Excess of Expenditures over Revenues | (746,415) | (16,878) | (763,293) |
| Other Financing Sources (Uses): | | | |
| Transfers In | | 1,000 | 1,000 |
| Transfers (Out) | (1,000) | | (1,000) |
| Total Other Financing Sources (Uses) | (1,000) | 1,000 | (1,000) |
| Net Change in Fund Balances | (747,415) | (15,878) | (763,293) |
| Fund Balances at Beginning of Year | 870,504 | 499,661 | 1,370,165 |
| Fund Balances at End of Year | \$123,089 | \$483,783 | \$606,872 |

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balances - Total Governmental Funds (\$763,293)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

| | | |
|---------------------------|-----------|-----------|
| Capital asset additions | \$35,334 | |
| Current year depreciation | (588,464) | |
| Total | (553,130) | (553,130) |

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

| | | |
|---------------------------|----------|-------|
| Taxes | 23,077 | |
| Intergovernmental Revenue | (23,268) | |
| Total | (191) | (191) |

Premiums on refunding bonds are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. 14,950

Bond issuance costs on refunding bonds are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (3,794)

Deferred charges on refundings are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (11,156)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 150,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported in the statement of activities.

| | | |
|---|----------|----------|
| Decrease in accrued interest payable | 537 | |
| Accreted interest on capital appreciation bonds | (30,773) | |
| Total | (30,236) | (30,236) |

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (22,595)

Change in Net Assets of Governmental Activities (\$1,219,445)

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$1,594,407 | \$1,685,537 | \$1,685,537 | |
| Tuition | 468,299 | 495,065 | 495,065 | |
| Transportation Fees | 9,134 | 9,656 | 9,656 | |
| Earnings on Investments | 73,498 | 77,699 | 77,699 | |
| Classroom Materials and Fees | 14,898 | 15,749 | 15,749 | |
| Other Local Revenues | 16,615 | 17,565 | 17,565 | |
| Intergovernmental - State | 3,698,290 | 3,909,669 | 3,909,669 | |
| Total Revenue | <u>5,875,141</u> | <u>6,210,940</u> | <u>6,210,940</u> | |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,585,474 | 3,666,296 | 3,666,297 | (\$1) |
| Special | 453,555 | 463,779 | 463,779 | |
| Vocational | 127,787 | 130,668 | 130,668 | |
| Support Services: | | | | |
| Pupil | 189,789 | 194,067 | 194,067 | |
| Instructional Staff | 373,271 | 381,685 | 381,685 | |
| Board of Education | 18,015 | 18,421 | 18,421 | |
| Administration | 593,796 | 607,181 | 607,181 | |
| Fiscal | 266,166 | 272,166 | 237,160 | 35,006 |
| Operations and Maintenance | 629,927 | 644,127 | 644,127 | |
| Pupil Transportation | 401,222 | 410,266 | 410,266 | |
| Central | 1,404 | 1,436 | 36,442 | (35,006) |
| Extracurricular Activities | 199,736 | 204,238 | 203,310 | 928 |
| Total Expenditures | <u>6,840,142</u> | <u>6,994,330</u> | <u>6,993,403</u> | <u>927</u> |
| Excess of Expenditures over Revenues | <u>(965,001)</u> | <u>(783,390)</u> | <u>(782,463)</u> | <u>927</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers (Out) | (978) | (1,000) | (1,000) | |
| Advances In | 530,200 | 560,504 | 559,576 | (928) |
| Advances (Out) | (555,440) | (567,961) | (567,962) | (1) |
| Refund of Prior Year Expenditures | 1,387 | 1,466 | 1,466 | |
| Refund of Prior Year Receipts | (19) | (19) | (19) | |
| Proceeds from Sale of Capital Assets | 232 | 245 | 245 | |
| Total other Financing Uses | <u>(24,618)</u> | <u>(6,765)</u> | <u>(7,694)</u> | <u>(929)</u> |
| Net Change in Fund Balance | (989,619) | (790,155) | (790,157) | (2) |
| Fund Balance at Beginning of Year | 1,355,197 | 1,355,197 | 1,355,197 | |
| Prior Year Encumbrances Appropriated | 135,597 | 135,597 | 135,597 | |
| Fund Balance at End of Year | <u>\$501,175</u> | <u>\$700,639</u> | <u>\$700,637</u> | <u>(\$2)</u> |

See accompanying notes to the basic financial statements.

RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

| | <u>Private-Purpose Trust</u> | |
|---------------------------------------|----------------------------------|------------------|
| | <u>Scholarship</u> | <u>Agency</u> |
| Assets: | | |
| Equity in Pooled Cash and Investments | \$25,042 | \$108,434 |
| Receivables: | | |
| Accrued Interest | 17 | |
| Total Assets | <u>25,059</u> | <u>108,434</u> |
| Liabilities: | | |
| External Party Payable | | 20,000 |
| Due to Students | | 88,434 |
| Total Liabilities | | <u>\$108,434</u> |
| Net Assets: | | |
| Held in Trust for Scholarships | <u>25,059</u> | |
| Total Net Assets | <u>\$25,059</u> | |

See accompanying notes to the basic financial statements.

RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | <u>Private-Purpose Trust</u> |
|---------------------------------|----------------------------------|
| | <u>Scholarship</u> |
| Additions: | |
| Interest | \$1,096 |
| Total Additions | <u>1,096</u> |
| Deductions: | |
| Scholarships Awarded | <u>1,500</u> |
| Change in Net Assets | (404) |
| Net Assets at Beginning of Year | <u>25,463</u> |
| Net Assets at End of Year | <u><u>\$25,059</u></u> |

See accompanying notes to the basic financial statements.

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**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Riverside Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and the privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 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 7 instructional/support facilities staffed by 37 non-certified and 66 certified full-time teaching personnel who provide services to 783 students and other community members. The District ranks 549 among 896 public and community school districts in the State of Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units." The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the 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; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

1. Group Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating program for workers' compensation as established under Section 4123.29 of the Ohio Revised Code.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

Each year, the participating school districts pay an enrollment fee to Sheakley Uniservice, Inc. 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 & Company provides administrative, cost control, and actuarial services to the GRP.

Logan County Schools Benefit Plan Association

The District participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of one educational service center, one joint vocational school district, Riverside Local School District, Indian Lake Local School District and Benjamin Logan Local School District. The District pays monthly premiums to the Plan for employee life insurance and dental and medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents and designated beneficiaries accruing as a result of withdrawal.

Ohio School Plan

The Ohio School Plan (the Plan) is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Harcum-Schuett Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

2. Jointly Governed Organizations

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public Districts within the boundaries of Hardin, Auglaize, Logan, Shelby, Miami and Champaign Counties.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District. This organization is governed by a Board of Directors consisting of 14 members: the superintendent of the fiscal agent Shelby County Educational Service Center, two superintendents from each county that is represented, one Treasurer representative from the school districts, student services representative from the school districts and a non-voting independent district representative. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

Ohio Hi-Point Joint Vocational School District

The Ohio Hi-Point Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio that provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each participating school districts' elected boards. The degree of control exercised by the District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School District, R. Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Logan County Education Foundation

The Logan County Education Foundation (the Foundation) was established to secure and distribute contributions from individuals, corporations and foundations for the benefit of students within the county. The Foundation promotes, sponsors and encourages the pursuit of excellence in education for students. The Foundation is managed by a six member Board of Trustees. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the city school district. Financial information can be obtained by contacting Eric Adelsberger, who serves as Financial Advisor, 2626 County Road 18, Bellefontaine, Ohio 43311.

B. Fund Accounting

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

1. Governmental Funds

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (c) food service operations; and (d) for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Funds

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

C. Basis of Presentation and Measurement Focus

1. Government-wide Financial Statements

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

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

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

2. Fund Financial Statements

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

1. Revenues - Exchange and Non-exchange Transactions

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

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

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Unearned Revenue and Deferred Revenue

Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are 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.

3. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 original and final budgeted amounts represent the original and 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 in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2008, investments were limited to certificates of deposit.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the General Fund. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$75,977, which includes \$22,013 assigned from other funds.

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

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,200. 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. The District does not possess infrastructure.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|-----------------------------------|--|
| Land improvements | 15 - 30 years |
| Buildings and improvements | 30 - 50 years |
| Furniture, fixtures and equipment | 5 - 20 years |
| Vehicles | 5 - 15 years |
| Textbooks | 10 years |

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans." These amounts are eliminated in the governmental activities column on the statement of net assets. Loans to student activities (Agency Funds) are classified as "External Party Receivables/Payables".

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees at least 50 years of age with 10 years of service or any age with at least 15 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Unamortized Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10. A.

M. 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, materials and supplies inventory, debt service and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District did not have assets restricted by enabling legislation. The amount restricted for other purposes consists of the balance of the underground storage fund (a non-major governmental fund).

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

O. Estimates

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

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

3. ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At year-end, the District had \$150 in un-deposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$1,330,229. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008 \$1,181,097 of the District's bank balance of \$1,381,097 was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Deposit Insurance Corporation.

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

| | | |
|--|--|-------------|
| Cash and investments per note | | |
| Carrying amount of deposits | | \$1,330,229 |
| Cash on hand | | 150 |
| Total | | \$1,330,379 |
| | | |
| Cash and investments per statement of net assets | | |
| Governmental activities | | \$1,196,903 |
| Private-purpose trust funds | | 25,042 |
| Agency funds | | 108,434 |
| Total | | \$1,330,379 |

5. INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

| | |
|---|---------|
| Transfers to non-major governmental funds from: | |
| General fund | \$1,000 |

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

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

B. Interfund balances at June 30, 2008 as reported on the fund statements consist of the following individual interfund loan receivable and payable:

| Receivable fund | Payable fund | Amount |
|-----------------|------------------------------|----------|
| General | Non-major governmental funds | \$12,414 |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

C. Loans between governmental funds and agency funds are reported as "External Party Receivable/Payable" on the financial statements. The District had the following loans outstanding at June 30, 2008:

| Receivable fund | Payable fund | Amount |
|-----------------|--------------|----------|
| General | Agency | \$20,000 |

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property is assessed at 12.5% for property including inventory. This percentage was reduced to 6.25% for 2008, and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Logan and Shelby Counties. The respective County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent. The amount available as an advance at June 30, 2008 was \$67,558 in the General Fund, \$15,740 in the Debt Service Fund (a non-major governmental fund) and \$4,606 in the Capital Projects Fund (a non-major governmental fund). This amount has been recorded as revenue. The amount available as an advance at June 30, 2007 was \$82,096 in the General Fund \$21,790 in the Debt Service Fund (a non-major governmental fund) and \$6,220 in the Capital Projects Fund (a non-major governmental fund).

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. PROPERTY TAXES (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

| | 2007 Second Half Collections | | 2008 First Half Collections | |
|--|---|----------------|--|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/residential and other real estate | \$49,451,270 | 92.29 | \$56,222,700 | 94.19 |
| Public utility personal | 2,811,330 | 5.25 | 2,260,720 | 3.79 |
| Tangible personal property | 1,318,820 | 2.46 | 1,204,214 | 2.02 |
| Total | \$53,581,420 | 100.00 | \$59,687,634 | 100.00 |
| Tax rate per \$1,000 of assessed valuation | \$52.90 | | \$52.30 | |

7. SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000 for 5 years and was renewed on March 2, 2004, with a period starting January 1, 2005 lasting 5 years and will continue for 5 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.

8. RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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 items of receivables reported on the statement of net assets follows:

| Governmental Activities: | |
|---------------------------------|--------------------|
| Taxes | \$2,121,383 |
| Accounts | 2,474 |
| Intergovernmental | 30,261 |
| Accrued interest | 6,193 |
| Total | \$2,160,311 |

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

| | <u>Balance June 30, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2008</u> |
|---|----------------------------------|--------------------|-------------------|----------------------------------|
| Governmental Activities: | | | | |
| <i>Capital Assets, not being depreciated:</i> | | | | |
| Land | \$11,423 | | | \$11,423 |
| Total Capital Assets, not being depreciated | <u>11,423</u> | | | <u>11,423</u> |
| <i>Capital Assets, being depreciated:</i> | | | | |
| Land Improvements | 1,363,669 | | | 1,363,669 |
| Buildings and Improvements | 14,128,986 | | | 14,128,986 |
| Furniture, Fixtures and Equipment | 2,028,592 | \$30,834 | (\$50,847) | 2,008,579 |
| Vehicles | 586,418 | 4,500 | | 590,918 |
| Textbooks | 632,952 | | | 632,952 |
| Total Capital Assets, being depreciated | <u>18,740,617</u> | <u>35,334</u> | <u>(50,847)</u> | <u>18,725,104</u> |
| <i>Less: Accumulated Depreciation</i> | | | | |
| Land Improvements | (398,751) | (74,327) | | (473,078) |
| Buildings and Improvements | (2,524,187) | (337,006) | | (2,861,193) |
| Furniture, Fixtures and Equipment | (1,309,491) | (123,057) | 50,847 | (1,381,701) |
| Vehicles | (393,755) | (54,074) | | (447,829) |
| Textbooks | (632,952) | | | (632,952) |
| Total Accumulated Depreciation | <u>(5,259,136)</u> | <u>(588,464)</u> | <u>50,847</u> | <u>(5,796,753)</u> |
| Governmental Activities Capital Assets, net | <u>\$13,492,904</u> | <u>(\$553,130)</u> | <u>\$0</u> | <u>\$12,939,774</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|-------------------|
| Instruction: | |
| Regular | \$ 269,964 |
| Special | 7,168 |
| Vocational | 17,748 |
| | |
| Support Services: | |
| Instructional Staff | 40,746 |
| Administration | 35,393 |
| Fiscal | 4,534 |
| Operations and Maintenance | 46,352 |
| Pupil Transportation | 56,763 |
| Extracurricular | 56,193 |
| Food Service Operations | <u>53,603</u> |
| Total Depreciation Expense | <u>\$ 588,464</u> |

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. LONG-TERM OBLIGATIONS

A. During fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

| | Balance June 30, 2007 | Additions | Reductions | Balance June 30, 2008 | Amounts Due in One Year |
|------------------------------------|----------------------------------|------------------|--------------------|----------------------------------|--|
| G.O. Bonds- Series 2001 | \$ 673,181 | \$20,458 | (\$120,000) | \$ 573,639 | \$125,000 |
| G.O. Refunding Bonds - Series 2006 | 1,635,235 | 10,315 | (30,000) | 1,615,550 | 30,000 |
| Compensated Absences | 590,454 | 61,740 | (111,544) | 540,650 | 29,039 |
| Total | <u>\$2,898,870</u> | <u>\$92,513</u> | <u>(\$261,544)</u> | <u>2,729,839</u> | <u>\$184,039</u> |
| Less: Deferred Charge on Refunding | | | | (160,840) | |
| Add: Unamortized Premium | | | | 215,539 | |
| Total on Statement of Net Assets | | | | <u>\$2,784,538</u> | |

Compensated Absences

Compensated absences have been accrued for vacation and severance liabilities. The amounts will be paid from the funds which employees' salaries are paid, which primarily are the General Fund and food service fund (a non-major governmental fund).

School Facilities Construction and Improvement General Obligation Bonds

On May 4, 2001, the District issued \$2,881,817 in voted general obligation bonds for the purpose of constructing, renovation and improving existing school facilities and related site development. The bond issue included serial, term and capital appreciation bonds with par values of \$1,130,000, \$1,685,000, and \$66,817, respectively. The bonds will be retired with a voted property tax levy from the debt service fund. The interest rates on the serial and term bonds are 4.6% to 5.75% and 12.55% for the capital appreciation bonds. During fiscal year 2006, \$1,685,000 of the serial bonds were refunded.

The capital appreciation bonds will mature during fiscal years 2012 and 2013. The accreted value at maturity for the capital appreciation bonds is \$290,000. Total accreted interest of \$111,822 has been included in the statement of net assets at June 30, 2008. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a non-major governmental fund).

Interest on the remaining Serial bonds is payable on June 1 and December 1 of each year, beginning December 1, 2001 until maturity or earlier redemption. The capital appreciation bonds will accrue interest, compounded semiannually on June 1 and December 1, from the date of their issuance, but the interest will be payable only at maturity.

The following is a schedule of activity for fiscal year 2008 on the 2001 series general obligation bonds:

| | Balance June 30, 2007 | Additions | Reductions | Balance June 30, 2008 |
|---|----------------------------------|------------------|--------------------|----------------------------------|
| Current Interest Bonds - 2001 Series | \$515,000 | | (\$120,000) | \$395,000 |
| Capital Appreciation Bonds - 2001 Series | 158,181 | \$20,458 | | 178,639 |
| Total | <u>\$673,181</u> | <u>\$20,458</u> | <u>(\$120,000)</u> | <u>\$573,639</u> |

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the future debt service requirements to maturity for the 2001 series general obligation bonds:

| Fiscal Year Ending June 30, | Current Interest Bonds | | | Capital Appreciation Bonds | | |
|--|-------------------------------|-----------------|------------------|-----------------------------------|------------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2009 | \$125,000 | \$19,955 | \$144,955 | | | |
| 2010 | 130,000 | 13,705 | 143,705 | | | |
| 2011 | 140,000 | 7,140 | 147,140 | | | |
| 2012 | | | | \$35,439 | \$109,561 | \$145,000 |
| 2013 | | | | 31,378 | 113,622 | 145,000 |
| Total | \$395,000 | \$40,800 | \$435,800 | \$66,817 | \$223,183 | \$290,000 |

On September 14, 2005, the District issued general obligation bonds (Series 2006A Refunding Bonds) to advance refund the callable portion of the Series 2001 current interest general obligation bonds (principal \$1,685,000). The issuance proceeds of \$1,685,000 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$1,675,000, and capital appreciation bonds, par value \$10,000. The capital appreciation bonds mature December 1, 2010 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$355,000. Total accreted interest of \$20,550 has been included in the statement of activities. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a non-major governmental fund).

The reacquisition price exceeded the net carrying amount of the old debt by \$191,520. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a schedule of activity for fiscal year 2008 on the 2006 refunding bonds:

| | Balance 6/30/2007 | Additions | Reductions | Balance 6/30/2008 |
|--|------------------------------|------------------|-------------------|------------------------------|
| Current Interest Bonds – 2006 Series | \$1,615,000 | | (\$30,000) | \$1,585,000 |
| Capital Appreciation Bonds – 2006 Series | 20,235 | \$10,315 | | 30,550 |
| Total | \$1,635,235 | \$10,315 | (\$30,000) | \$1,615,550 |

The following is a summary of the future debt service requirements to maturity for the 2006 series refunding bonds:

| Fiscal Year Ending June 30, | Current Interest Bonds | | | Capital Appreciation Bonds | | |
|--|-------------------------------|------------------|--------------------|-----------------------------------|------------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2009 | \$ 30,000 | \$ 61,865 | \$ 91,865 | | | |
| 2010 | 35,000 | 60,890 | 95,890 | | | |
| 2011 | 35,000 | 59,717 | 94,717 | | | |
| 2012 | 35,000 | 58,510 | 93,510 | | | |
| 2013 | 35,000 | 57,285 | 92,285 | | | |
| 2014 - 2018 | 550,000 | 261,225 | 811,225 | \$10,000 | \$345,000 | \$355,000 |
| 2019 - 2023 | 865,000 | 109,965 | 974,965 | | | |
| Total | \$1,585,000 | \$669,457 | \$2,254,457 | \$10,000 | \$345,000 | \$355,000 |

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$3,153,131 (including available funds of \$135,649) and an unvoted debt margin of \$57,852.

11. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service.

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 240 days for all personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit to a maximum of 62.5 days for all employees.

12. RISK MANAGEMENT

A. Property and Liability

During fiscal year 2008, the District participated in the Ohio School Plan (OSP), a public entity insurance purchasing pool (see Note 2.A.). The District entered into an agreement with the OSP and its premium is based on types of coverage, limits of coverage and deductibles that it selects. The OSP is administered by Hylant Administrative Services, LLC.

The District is subject to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$20,926,578 and a 100 percent coinsurance. The policy includes a \$1,000 deductible for commercial property coverage.

The District's fleet insurance has a liability limit of \$1,000,000, \$5,000 for medical payments, \$100,000 for fire damage and \$1,000,000 for uninsured motorists. The policy includes a \$1,000 deductible for school buses and \$500 deductible for all other vehicles.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. RISK MANAGEMENT (Continued)

The District's liability policy has a limit of \$2,000,000 for each occurrence and \$2,000,000 aggregate.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Employee Benefits

The District participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of one joint vocational school, one educational service center and Riverside Local School District, Indian Lake Local School District and Benjamin Logan Local School District. The District pays monthly premiums for employee life insurance and dental and medical benefits. The Plan is responsible for all Plan liabilities to its employees, dependents and designated beneficiaries accruing as a result of withdrawal.

C. Workers' Compensation

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 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 Districts that can meet the GRP's selection criteria. Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

13. PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$76,502, \$83,884 and \$77,231, respectively; 38.05 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. The 2007 and 2006 District contributions have been restated to exclude the portion allocated to Medicare Part B.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan.

STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. PENSION PLANS (Continued)

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$469,431, \$446,203 and \$417,988, respectively; 83.93 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$295 made by the District and \$281 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

14. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$13,955.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. POST-EMPLOYMENT BENEFITS (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$34,910, \$41,365 and \$38,294, respectively; 38.05 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$5,512, \$5,704 and \$6,147, respectively; 38.05 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$36,110, \$34,323 and \$32,153, respectively; 83.93 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

15. BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

| Net Change in Fund Balance | General fund |
|---|---------------------|
| Budget basis | (\$790,157) |
| Net adjustment for revenue accruals | (31,293) |
| Net adjustment for expenditure accruals | 36,409 |
| Net adjustment for other financing sources/uses | 6,694 |
| Adjustment for encumbrances | 30,932 |
| GAAP basis | (\$747,415) |

16. CONTINGENCIES

A. Grants

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

B. Litigation

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

17. STATUTORY RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

17. STATUTORY RESERVES (Continued)

| | <u>Materials/ Textbooks</u> | <u>Capital Acquisition</u> |
|---------------------------------------|---------------------------------|--------------------------------|
| Set-aside balance as of June 30, 2007 | (\$360,155) | (\$247,693) |
| Current year set-aside requirement | 128,502 | 128,502 |
| Current year offsets | | (112,423) |
| Qualifying disbursements | (112,190) | (5,938) |
| Total | <u>(343,843)</u> | <u>(237,552)</u> |
| Balance carried forward to FY 2009 | <u>(\$343,843)</u> | <u>(\$231,614)</u> |

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve. These extra amounts may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year. The capital acquisition reserve had debt related offsets that may be carried forward to future years. Excess qualifying disbursements may not be carried forward.

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**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The management's discussion and analysis of the Riverside 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, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities decreased \$1,117,153 which represents an 8.41% decrease from 2006.
- General revenues accounted for \$5,731,766 in revenue or 76.67% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$1,744,608 or 23.33% of total revenues of \$7,476,374.
- The District had \$8,593,527 in expenses related to governmental activities; \$1,744,608 of these expenses was offset by program specific charges for services and sales, operating grants and contributions, or capital grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,731,766 were not adequate to provide for these programs.
- The District's only major governmental fund is the General Fund. The General Fund had \$6,224,682 in revenues and \$6,892,513 in expenditures and other financing uses. During fiscal year 2007, the General Fund's fund balance decreased \$667,831 from \$1,538,335 to \$870,504.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. These services are primarily funded by property tax revenues and from intergovernmental revenues, including unrestricted state entitlements, federal and state grants and other shared revenues.

The District's statement of net assets and statement of activities can be found on pages 59-60 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 55. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the General Fund.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 61-65 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 66 and 67. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 69-92 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2007 and 2006.

| | Net Assets | |
|--|---|---|
| | Governmental Activities 2007 | Governmental Activities 2006 |
| Assets | | |
| Current Assets | \$4,161,287 | \$4,619,586 |
| Capital Assets | 13,492,904 | 14,117,863 |
| Total Assets | 17,654,191 | 18,737,449 |
| Liabilities | | |
| Current Liabilities | 2,530,875 | 2,425,917 |
| Long-Term Liabilities | 2,957,363 | 3,028,426 |
| Total Liabilities | 5,488,238 | 5,454,343 |
| Net Assets | | |
| Invested in Capital Assets, net of Related Debt | 11,286,087 | 11,766,046 |
| Restricted | 486,470 | 482,022 |
| Unrestricted | 393,396 | 1,035,038 |
| Total Net Assets | \$12,165,953 | \$13,283,106 |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$12,165,953. Of this total, \$393,396 is unrestricted in use.

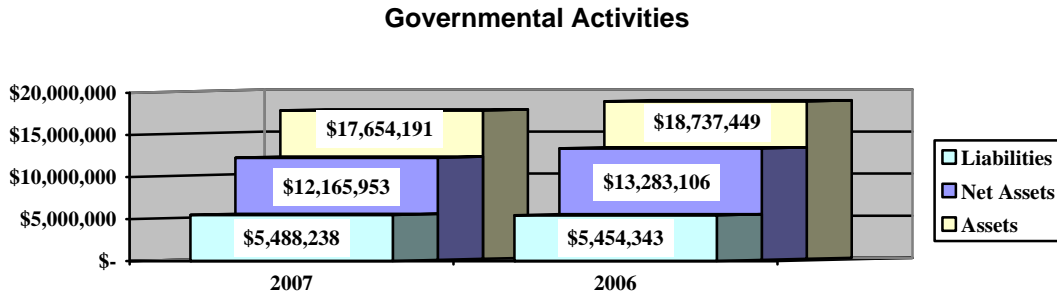
At year-end, capital assets represented 76.43% of total assets. Capital assets include land; land improvements; buildings and improvements; furniture, fixtures, and equipment; vehicles; and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$11,286,087. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$486,470, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$393,396 may be used to meet the District's ongoing obligations to the students and creditors.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

The graph below illustrates the District's assets, liabilities and net assets at June 30, 2007 and 2006:



The table below shows the change in net assets for fiscal year 2007 and 2006.

| Change in Net Assets | | |
|------------------------------------|---|---|
| | Governmental Activities 2007 | Governmental Activities 2006 |
| Revenues | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$ 929,574 | \$ 879,202 |
| Operating Grants and Contributions | 810,412 | 1,249,151 |
| Capital Grants and Contributions | 4,622 | 7,552 |
| General Revenues: | | |
| Property Taxes | 1,434,156 | 1,402,515 |
| School District Income Tax | 472,562 | 472,562 |
| Grants and Entitlements | 3,679,841 | 3,095,784 |
| Investment Earnings | 107,339 | 96,482 |
| Miscellaneous | 37,868 | 25,354 |
| Total revenues | 7,476,374 | 7,228,602 |
| Expenses | | |
| Program Expenses: | | |
| Instruction: | | |
| Regular | 3,988,541 | 3,975,443 |
| Special | 716,149 | 794,295 |
| Vocational | 158,776 | 184,865 |
| Support Services: | | |
| Pupil | 188,255 | 222,679 |
| Instructional Staff | 485,472 | 352,357 |
| Board of Education | 13,200 | 14,613 |
| Administration | 639,719 | 581,605 |
| Fiscal | 279,578 | 260,047 |
| Business | 26,700 | 36,709 |
| Operations and Maintenance | 870,865 | 701,125 |
| Pupil Transportation | 408,102 | 332,986 |
| Central | 12,920 | 6,515 |

(Continued)

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

**Change in Net Assets
(Continued)**

| | Governmental Activities 2007 | Governmental Activities 2006 |
|---|---|---|
| Expenses (Continued) | | |
| Operation of Non-Instructional Services: | | |
| Food Service Operations | 371,209 | 341,024 |
| Other Non-Instructional Services | 750 | 48,676 |
| Extracurricular Activities | 316,824 | 219,593 |
| Interest and Fiscal Charges | 116,467 | 102,775 |
| Total Expenses | 8,593,527 | 8,175,307 |
| Change in Net Assets | (1,117,153) | (946,705) |
| Net Assets at Beginning of Year | 13,283,106 | 14,229,811 |
| Net Assets at End of Year | <u>\$12,165,953</u> | <u>\$13,283,106</u> |

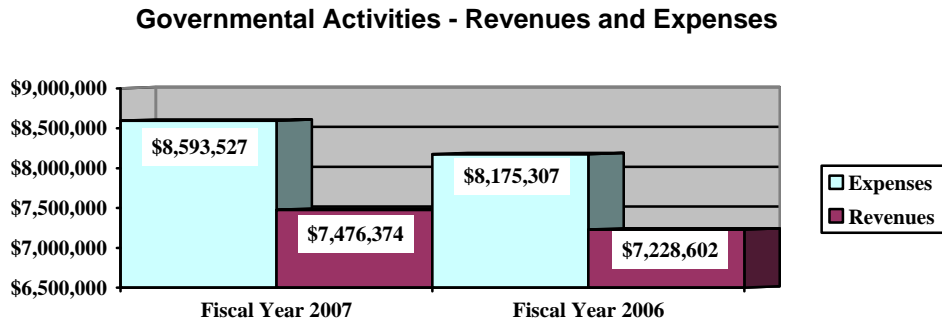
Governmental Activities

Net assets of the District's governmental activities decreased \$1,117,153. While the District had a slight increase in revenues, this increase was more than offset by an increase in expenditures related to operations and maintenance, food service operations, and extracurricular activities. Total governmental expenses of \$8,593,527 were offset by program revenues of \$1,744,608 and general revenues of \$5,731,766. Program revenues supported 20.30% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from taxes, and unrestricted grants and entitlements. These revenue sources represent 74.72% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,863,466 or 56.59% of total governmental expenses for fiscal 2007.

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2007 and 2006.



The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

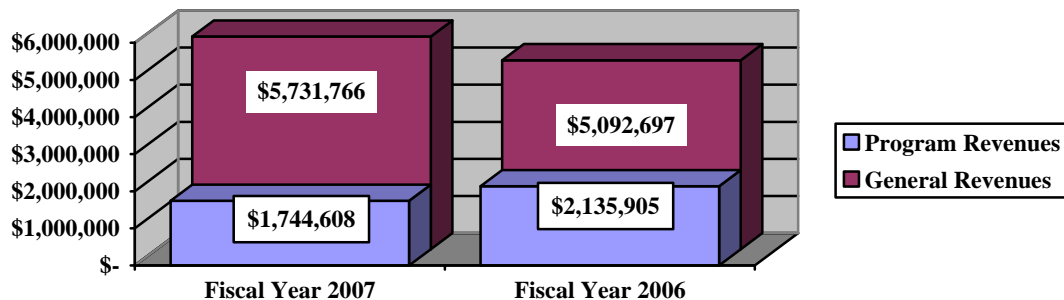
Governmental Activities

| | Total Cost of Services 2007 | Net Cost of Services 2007 | Total Cost of Services 2006 | Net Cost of Services 2006 |
|---|--|--|--|--|
| Program Expenses | | | | |
| Instruction: | | | | |
| Regular | \$3,988,541 | \$3,333,044 | \$3,975,443 | \$2,883,153 |
| Special | 716,149 | 275,134 | 794,295 | 240,111 |
| Vocational | 158,776 | 132,205 | 184,865 | 156,961 |
| Support Services: | | | | |
| Pupil | 188,255 | 168,048 | 222,679 | 204,869 |
| Instructional Staff | 485,472 | 404,233 | 352,357 | 351,359 |
| Board of Education | 13,200 | 13,200 | 14,613 | 14,613 |
| Administration | 639,719 | 635,934 | 581,605 | 576,929 |
| Fiscal | 279,578 | 279,553 | 260,047 | 259,702 |
| Business | 26,700 | (9,082) | 36,709 | 13,565 |
| Operations and Maintenance | 870,865 | 832,799 | 701,125 | 692,650 |
| Pupil Transportation | 408,102 | 379,560 | 332,986 | 332,986 |
| Central | 12,920 | 3,684 | 6,515 | 1,526 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 371,209 | 44,759 | 341,024 | 13,595 |
| Other Non-Instructional Services | 750 | 126 | 48,676 | 48,676 |
| Extracurricular Activities | 316,824 | 239,255 | 219,593 | 145,932 |
| Interest and Fiscal Charges | 116,467 | 116,467 | 102,775 | 102,775 |
| Total Expenses | \$8,593,527 | \$6,848,919 | \$8,175,307 | \$6,039,402 |

The dependence upon tax and other general revenues for governmental activities is apparent, 76.91% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.70%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.

Governmental Activities - General and Program Revenues



**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,370,165, which is lower than last year's total of \$2,035,362. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

| | <u>Fund Balance June 30, 2007</u> | <u>Fund Balance June 30, 2006</u> | <u>Increase/ (Decrease)</u> | <u>Percentage Change</u> |
|--------------------|---------------------------------------|---------------------------------------|---------------------------------|------------------------------|
| General | \$ 870,504 | \$1,538,335 | (\$667,831) | (43.41) % |
| Other Governmental | 499,661 | 497,027 | 2,634 | 0.53 % |
| Total | <u>\$1,370,165</u> | <u>\$2,035,362</u> | <u>(\$665,197)</u> | (32.68) % |

General Fund

The District's General Fund, fund balance decreased by \$667,831. Expenditures exceeded revenues for fiscal year 2007 by \$666,831. The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

| | <u>2007 Amount</u> | <u>2006 Amount</u> | <u>Increase (Decrease)</u> | <u>Percentage Change</u> |
|----------------------------|------------------------|------------------------|--------------------------------|------------------------------|
| Revenues | | | | |
| Taxes | \$1,599,269 | \$1,602,990 | (\$3,721) | (0.23) % |
| Earnings on Investments | 107,339 | 89,841 | 17,498 | 19.48 % |
| Intergovernmental | 3,881,062 | 3,891,940 | (10,878) | (0.28) % |
| Other Revenues | 637,012 | 578,457 | 58,555 | 10.12 % |
| Total | <u>6,224,682</u> | <u>6,163,228</u> | <u>61,454</u> | 1.00 % |
| Expenditures | | | | |
| Instruction | 4,281,439 | 4,174,327 | 107,112 | 2.57 % |
| Support Services | 2,411,158 | 2,105,221 | 305,937 | 14.53 % |
| Extracurricular Activities | 198,916 | 103,926 | 94,990 | 91.40 % |
| Total | <u>\$6,891,513</u> | <u>\$6,383,474</u> | <u>\$508,039</u> | 7.96 % |

The most significant percentage increase in revenues was the increase in earnings on investments which was due to an increase in interest rates. The most significant dollar increase in revenues was the increase in other revenues, which includes tuition revenue which increased by \$40,270 due to an increase in open enrollment. Overall revenues remained consistent with the previous year.

The increase in support services expenditures is due primarily to the increase in operations and maintenance. Extracurricular expenses also increased due to an increase in programs offered.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

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 2007, the District amended its General Fund budget several times. For the General Fund, original budgeted revenues were \$6,707,149 and final budgeted revenues were \$6,612,690. Actual revenues and other financing sources for fiscal year 2007 were \$6,612,690.

General Fund original appropriations and other financing uses totaled \$7,276,163 and final appropriations and other financing uses totaled \$7,320,982. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$7,256,682, which is lower than the final budget appropriations by \$64,300.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$13,492,904 invested in land; land improvements; buildings and improvements; furniture, fixtures, and equipment; vehicles; and textbooks. This entire amount is reported in governmental activities. The following table shows fiscal year 2007 balances compared to 2006:

| Capital Assets at June 30 (Net of Depreciation) | | |
|--|--------------------------------|---------------------|
| | Governmental Activities | |
| | 2007 | 2006 |
| Land | \$ 11,423 | \$ 11,423 |
| Land Improvements | 964,918 | 1,039,245 |
| Building and Improvements | 11,604,799 | 11,988,152 |
| Furniture, Fixtures, and Equipment | 719,101 | 853,366 |
| Vehicles | 192,663 | 225,677 |
| Total | \$13,492,904 | \$14,117,863 |

The overall decrease in capital assets of \$624,959 is due to depreciation of \$674,676 exceeding capital outlays of \$58,000 in the fiscal year. There were disposals, net of depreciation, of \$8,283.

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

Debt Administration

At June 30, 2007, the District had \$2,308,416 in general obligation bonds outstanding for building improvements. Of this total, \$150,000 is due within one year and \$2,158,416 is due within greater than one year. The following table summarizes the bonds outstanding.

| Outstanding Debt, at Year End | | |
|--------------------------------------|---|---|
| | Governmental Activities 2007 | Governmental Activities 2006 |
| | General Obligation Bonds | \$2,308,416 |
| Total | \$2,308,416 | \$2,428,475 |

At June 30, 2007, the District's overall legal debt margin was \$2,396,499, and an unvoted debt margin of \$50,951.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

Current Financial Related Activities

The District is holding its own in the state of a declining economy and uncertainty in State funding. DeGraff and Quincy are small rural communities in West Central Ohio. They have a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. Approximately 26 percent of District revenue source is from local property and income taxes, approximately 60 percent is from state and federal funds and the remainder is from other sources. The total expenditure per pupil was calculated at \$8,506.

Over the past several years, the District has remained in a good financial position. 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, the long term effects of public utility deregulation, the reduction of personal property for business inventory, and the proposed changes in the state biennial budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Lisa Fahncke, Treasurer, Riverside Local School District, 2096 CR 24 S, DeGraff, Ohio 43318.

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**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

| | <u>Governmental Activities</u> |
|--|---|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$1,986,384 |
| Receivables: | |
| Taxes | 2,031,532 |
| Accounts | 1,226 |
| Intergovernmental | 41,752 |
| Accrued Interest | 7,958 |
| External Party Receivable | 20,000 |
| Materials and Supplies Inventory | 13,942 |
| Unamortized Bond Issue Costs | 58,493 |
| Capital Assets: | |
| Land | 11,423 |
| Depreciable Capital Assets, Net | 13,481,481 |
| Capital Assets, Net | <u>13,492,904</u> |
| Total Assets | <u>17,654,191</u> |
| | |
| Liabilities: | |
| Accounts Payable | 33,859 |
| Accrued Wages and Benefits | 639,935 |
| Pension Obligation Payable | 163,808 |
| Intergovernmental Payable | 50,147 |
| Unearned Revenue | 1,636,920 |
| Accrued Interest Payable | 6,206 |
| Long-Term Liabilities: | |
| Due Within One Year | 252,303 |
| Due in More Than One Year | 2,705,060 |
| Total Liabilities | <u>5,488,238</u> |
| | |
| Net Assets: | |
| Invested in Capital Assets, Net of Related Debt | 11,286,087 |
| Restricted for: | |
| Capital Projects | 92,462 |
| Debt Service | 123,851 |
| Classroom Facilities Maintenance | 214,714 |
| State Funded Programs | 28,789 |
| District Managed Student Activities | 15,654 |
| Other Purposes | 11,000 |
| Unrestricted | 393,396 |
| Total Net Assets | <u><u>\$12,165,953</u></u> |

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | |
|---|--------------------|--------------------------------------|--|--|----------------------------|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$3,988,541 | \$597,265 | \$58,232 | | (\$3,333,044) |
| Special | 716,149 | 412 | 440,603 | | (275,134) |
| Vocational | 158,776 | | 26,571 | | (132,205) |
| Support Services: | | | | | |
| Pupil | 188,255 | | 20,207 | | (168,048) |
| Instructional Staff | 485,472 | | 81,239 | | (404,233) |
| Board of Education | 13,200 | | | | (13,200) |
| Administration | 639,719 | | 3,785 | | (635,934) |
| Fiscal | 279,578 | | 25 | | (279,553) |
| Business | 26,700 | 26,594 | 9,188 | | 9,082 |
| Operations and Maintenance | 870,865 | 2 | 38,064 | | (832,799) |
| Pupil Transportation | 408,102 | 5,346 | 18,574 | 4,622 | (379,560) |
| Central | 12,920 | 2,466 | 6,770 | | (3,684) |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 371,209 | 219,920 | 106,530 | | (44,759) |
| Other Non-Instructional Services | 750 | | 624 | | (126) |
| Extracurricular Activities | 316,824 | 77,569 | | | (239,255) |
| Interest and Fiscal Charges | 116,467 | | | | (116,467) |
| Total Governmental Activities | \$8,593,527 | \$929,574 | \$810,412 | \$4,622 | (6,848,919) |

General Revenues:

Property Taxes Levied for:

| | |
|--|-----------|
| General Purposes | 1,115,470 |
| Debt Service | 222,889 |
| Capital Projects | 74,849 |
| Special Revenue | 20,948 |
| School District Income Tax | 472,562 |
| Grants and Entitlements not Restricted to Specific Programs | 3,679,841 |
| Investment Earnings | 107,339 |
| Miscellaneous | 37,868 |

| | |
|---------------------------------|----------------------------|
| Total General Revenues | <u>5,731,766</u> |
| Change in Net Assets | (1,117,153) |
| Net Assets at Beginning of Year | <u>13,283,106</u> |
| Net Assets at End of Year | <u><u>\$12,165,953</u></u> |

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------|---|---|
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,490,794 | \$495,590 | \$1,986,384 |
| Receivables: | | | |
| Taxes | 1,716,844 | 314,688 | 2,031,532 |
| Accounts | 249 | 977 | 1,226 |
| Intergovernmental | | 41,752 | 41,752 |
| Interfund Loans | 4,028 | | 4,028 |
| Accrued Interest | 7,688 | 270 | 7,958 |
| External Party Receivable | 20,000 | | 20,000 |
| Materials and Supplies Inventory | 7,920 | 6,022 | 13,942 |
| Total Assets | <u>3,247,523</u> | <u>859,299</u> | <u>4,106,822</u> |
| Liabilities: | | | |
| Accounts Payable | 22,691 | 11,168 | 33,859 |
| Accrued Wages and Benefits | 621,439 | 18,496 | 639,935 |
| Compensated Absences Payable | 90,565 | | 90,565 |
| Pension Obligation Payable | 151,793 | 12,015 | 163,808 |
| Intergovernmental Payable | 48,973 | 1,174 | 50,147 |
| Interfund Loan Payable | | 4,028 | 4,028 |
| Deferred Revenue | 75,684 | 41,711 | 117,395 |
| Unearned Revenue | 1,365,874 | 271,046 | 1,636,920 |
| Total Liabilities | <u>2,377,019</u> | <u>359,638</u> | <u>2,736,657</u> |
| Fund Balances: | | | |
| Reserved for Encumbrances | 113,789 | 21,901 | 135,690 |
| Reserved for Materials and Supplies Inventory | 7,920 | 6,022 | 13,942 |
| Reserved for Debt Service | | 97,497 | 97,497 |
| Reserved for Tax Revenue Available for Appropriation | 82,096 | 28,010 | 110,106 |
| Unreserved, Undesignated, Reported in: | | | |
| General Fund | 666,699 | | 666,699 |
| Special Revenue Funds | | 267,663 | 267,663 |
| Capital Projects Funds | | 78,568 | 78,568 |
| Total Fund Balances | <u>870,504</u> | <u>499,661</u> | <u>1,370,165</u> |
| Total Liabilities and Fund Balances | <u>\$3,247,523</u> | <u>\$859,299</u> | <u>\$4,106,822</u> |

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

| | | |
|--|-------------|---------------------|
| Total Governmental Fund Balances | | \$1,370,165 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 13,492,904 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Taxes | \$91,316 | |
| Intergovernmental Revenue | 26,079 | |
| Total | 117,395 | 117,395 |
| Unamortized deferred charges are not recognized in the funds. | | 171,996 |
| Unamortized premiums on bond issuance is not recognized in the funds. | | (230,489) |
| Unamortized bond issuance costs are not recognized in the funds. | | 58,493 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (6,206) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated Absences | (499,889) | |
| General Obligation Bonds | (2,308,416) | |
| Total | (2,808,305) | (2,808,305) |
| Net Assets of Governmental Activities | | \$12,165,953 |

See accompanying notes to the basic financial statements.

RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | General | Other Governmental Funds | Total Governmental Funds |
|---|------------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| From Local Sources: | | | |
| Taxes | \$1,599,269 | \$318,873 | \$1,918,142 |
| Tuition | 578,859 | | 578,859 |
| Transportation Fees | 5,346 | | 5,346 |
| Charges for Services | | 219,920 | 219,920 |
| Earnings on Investments | 107,339 | 7,369 | 114,708 |
| Extracurricular | | 94,225 | 94,225 |
| Classroom Materials and Fees | 14,937 | 3,881 | 18,818 |
| Other Local Revenues | 37,870 | 32,170 | 70,040 |
| Other Revenue | | 1,000 | 1,000 |
| Intergovernmental - State | 3,881,062 | 108,152 | 3,989,214 |
| Intergovernmental - Federal | | 451,447 | 451,447 |
| Total Revenue | 6,224,682 | 1,237,037 | 7,461,719 |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 3,633,283 | 65,297 | 3,698,580 |
| Special | 485,980 | 219,919 | 705,899 |
| Vocational | 162,176 | | 162,176 |
| Support Services: | | | |
| Pupil | 183,689 | 22,052 | 205,741 |
| Instructional Staff | 357,938 | 80,942 | 438,880 |
| Board of Education | 13,200 | | 13,200 |
| Administration | 569,285 | 3,771 | 573,056 |
| Fiscal | 271,347 | 7,215 | 278,562 |
| Business | | 26,700 | 26,700 |
| Operations and Maintenance | 657,823 | 74,707 | 732,530 |
| Pupil Transportation | 352,852 | | 352,852 |
| Central | 5,024 | 7,896 | 12,920 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | | 311,116 | 311,116 |
| Other Non-Instructional Services | | 750 | 750 |
| Extracurricular Activities | 198,916 | 66,617 | 265,533 |
| Facilities Acquisition and Construction | | 111,381 | 111,381 |
| Debt Service: | | | |
| Principal Retirement | | 145,000 | 145,000 |
| Interest and Fiscal Charges | | 92,040 | 92,040 |
| Total Expenditures . | 6,891,513 | 1,235,403 | 8,126,916 |
| Excess of revenues under expenditures | (666,831) | 1,634 | (665,197) |
| Other Financing Sources (Uses): | | | |
| Transfers In | | 1,000 | 1,000 |
| Transfers (Out) | (1,000) | | (1,000) |
| Total Other Financing Sources (Uses) | (1,000) | 1,000 | |
| Net Change in Fund Balances | (667,831) | 2,634 | (665,197) |
| Fund Balances at Beginning of Year | 1,538,335 | 497,027 | 2,035,362 |
| Fund Balances at End of Year | \$870,504 | \$499,661 | \$1,370,165 |

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds (\$665,197)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

| | | |
|---------------------------|------------------|-----------|
| Capital asset additions | \$58,000 | |
| Current year depreciation | <u>(674,676)</u> | |
| Total | | (616,676) |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (8,283)

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

| | | |
|---------------------------|---------------|--------|
| Taxes | (11,424) | |
| Intergovernmental Revenue | <u>26,079</u> | |
| Total | | 14,655 |

Premiums on refunding bonds are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities. 14,951

Bond issuance costs on refunding bonds are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities. (3,794)

Deferred charges on refundings are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities. (11,157)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 145,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported on the statement of activities.

| | | |
|---|-----------------|----------|
| Accrued Interest | 514 | |
| Accreted Interest on Capital Appreciation Bonds | <u>(24,941)</u> | |
| Total | | (24,427) |

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 37,775

Change in Net Assets of Governmental Activities (\$1,117,153)

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From Local Sources: | | | | |
| Taxes | \$1,583,593 | \$1,561,291 | \$1,561,291 | |
| Tuition | 587,128 | 578,859 | 578,859 | |
| Transportation Fees | 5,422 | 5,346 | 5,346 | |
| Earnings on Investments | 107,934 | 106,414 | 106,414 | |
| Classroom Materials and Fees | 15,150 | 14,937 | 14,937 | |
| Other Local Revenues | 38,248 | 37,709 | 37,709 | |
| Intergovernmental - State | 3,936,501 | 3,881,062 | 3,881,062 | |
| Total Revenue | <u>6,273,976</u> | <u>6,185,618</u> | <u>6,185,618</u> | |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,655,024 | 3,677,538 | 3,572,254 | \$105,284 |
| Special | 506,052 | 509,169 | 483,407 | 25,762 |
| Vocational | 162,457 | 163,458 | 149,804 | 13,654 |
| Support Services: | | | | |
| Pupil | 191,777 | 192,958 | 182,374 | 10,584 |
| Instructional Staff | 314,578 | 316,516 | 332,523 | (16,007) |
| Board of Education | 16,523 | 16,625 | 13,250 | 3,375 |
| Administration | 562,923 | 566,390 | 564,212 | 2,178 |
| Fiscal | 272,302 | 273,979 | 265,122 | 8,857 |
| Operations and Maintenance | 643,317 | 647,280 | 748,422 | (101,142) |
| Pupil Transportation | 348,695 | 350,843 | 343,501 | 7,342 |
| Central | 5,168 | 5,200 | 5,024 | 176 |
| Extracurricular Activities | 189,941 | 191,111 | 184,537 | 6,574 |
| Total Expenditures | <u>6,868,757</u> | <u>6,911,067</u> | <u>6,844,430</u> | <u>66,637</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(594,781)</u> | <u>(725,449)</u> | <u>(658,812)</u> | <u>66,637</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers (Out) | (994) | (1,000) | (1,000) | |
| Advances In | 432,110 | 426,024 | 426,024 | |
| Advances (Out) | (406,412) | (408,915) | (409,843) | (928) |
| Refund of Prior Year Expenditure | 804 | 793 | 793 | |
| Refund of Prior Year Receipt | | | (1,409) | (1,409) |
| Proceeds from Sale of Capital Assets | 259 | 255 | 255 | |
| Total Other Financing Sources (Uses) | <u>25,767</u> | <u>17,157</u> | <u>14,820</u> | <u>(2,337)</u> |
| Net Change in Fund Balance | (569,014) | (708,292) | (643,992) | 64,300 |
| Fund Balance at Beginning of Year | 1,925,662 | 1,925,662 | 1,925,662 | |
| Prior Year Encumbrances Appropriated | 73,527 | 73,527 | 73,527 | |
| Fund Balance at End of Year | <u>\$1,430,175</u> | <u>\$1,290,897</u> | <u>\$1,355,197</u> | <u>\$64,300</u> |

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

| | Private-Purpose Trust | |
|--|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$25,426 | \$82,438 |
| Receivables: | | |
| Accrued Interest | 37 | |
| Total Assets | 25,463 | 82,438 |
| Liabilities: | | |
| Accounts Payable | | 1,824 |
| External Party Payable | | 20,000 |
| Due to Students | | 60,614 |
| Total Liabilities | | \$82,438 |
| Net Assets: | | |
| Held in Trust for Scholarships | 25,463 | |
| Total Net Assets | \$25,463 | |

See accompanying notes to the basic financial statements.

RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | <u>Private-Purpose Trust</u> |
|---------------------------------|----------------------------------|
| | <u>Scholarship</u> |
| Additions: | |
| Interest | <u>\$1,200</u> |
| Total Additions | <u>1,200</u> |
| Change in Net Assets | 1,200 |
| Net Assets at Beginning of Year | <u>24,263</u> |
| Net Assets at End of Year | <u><u>\$25,463</u></u> |

See accompanying notes to the basic financial statements.

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**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Riverside Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and the privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 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 7 instructional/support facilities staffed by 36 non-certified and 63 certified full-time teaching personnel who provide services to 807 students and other community members. The District ranks 547 among 876 public and community school districts in the State of Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units.". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods 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; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Group Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

Each year, the participating school districts pay an enrollment fee to Sheakley Uniserve, Inc. 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 & Company provides administrative, cost control, and actuarial services to the GRP.

Logan County Schools Benefit Plan Association

The District participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of one educational service center, one joint vocational school district, Riverside Local School District, Indian Lake Local School District, and Benjamin Logan Local School District. The District pays monthly premiums to the Plan for employee life insurance, and dental and medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Ohio School Plan

The Ohio School Plan (the Plan) is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Harcum-Schuett Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Jointly Governed Organizations

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public Districts within the boundaries of Hardin, Auglaize, Logan, Shelby, Miami and Champaign 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 District. This organization is governed by a board of directors consisting of 14 members: the superintendent of the fiscal agent Shelby County Educational Service Center, two superintendents from each county that is represented, one Treasurer representative from the school districts, student services representative from the school districts, and a non-voting independent district representative. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

Ohio Hi-Point Joint Vocational School District

The Ohio Hi-Point Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio that provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each participating school districts' elected boards. The degree of control exercised by the District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School District, R. Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operations. The jointly governed board organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The board consists of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year governs the SERRC. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information through June 30, 2006 can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Avenue, Suite A, Kenton, Ohio 43326. Financial information from July 1, 2006 to present can be obtained by contacting Margaret Grimm, Treasurer, at the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite #2, Wapakoneta, Ohio 45895.

Logan County Education Foundation

The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation is managed by a six member Board of Trustees. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the city school district. Financial information can be obtained by contacting Eric Adelsberger, who serves as Financial Advisor, 2626 County Road 18, Bellefontaine, Ohio 43311.

B. Fund Accounting

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

1. Governmental Funds

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Funds

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

C. Basis of Presentation and Measurement Focus

1. 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.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

2. Fund Financial Statements

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

1. Revenues - Exchange and Non-exchange Transactions

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

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

2. Unearned Revenue and Deferred Revenue

Unearned revenue and deferred revenue arise 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, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are 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.

3. Expenses/Expenditures

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

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

E. Budgets

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.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function and object level in all 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 original and final budgeted amounts represent the original and 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 in a central bank account. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2007, investments were limited to certificates of deposit.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the General Fund. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$107,339, which includes \$22,698 assigned from other funds.

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

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,200. 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. The District does not possess infrastructure.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|-----------------------------------|--|
| Land Improvements | 15 - 30 years |
| Buildings and Improvements | 30 - 50 years |
| Furniture, Fixtures and Equipment | 5 - 20 years |
| Vehicles | 5 - 15 years |
| Textbooks | 10 years |

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans". These amounts are eliminated in the governmental activities column on the statement of net assets. Loans to student activities (Agency Funds) are classified as "External Party Receivables/Payables".

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Unamortized Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10. A.

M. 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, materials and supplies inventory, debt service and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District did not have net assets restricted by enabling legislation. The amount restricted for other purposes consists of the balance of the underground storage fund.

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

O. Estimates

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

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

3. ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

| Non-major Funds | <u>Deficit</u> |
|---------------------------|-----------------------|
| IDEA-B | \$15 |
| Improving Teacher Quality | 170 |

The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the District or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the District had \$150 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$2,094,098. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007 \$1,989,154 of the District's bank balance of \$2,118,467 was exposed to custodial risk as discussed below, while \$129,313 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

| | |
|---|-------------|
| Cash and Investments per footnote | |
| Carrying amount of deposits | \$2,094,098 |
| Cash on hand | 150 |
| Total | \$2,094,248 |
| Cash and investments per Statement of Net Assets | |
| Governmental activities | \$1,986,384 |
| Private-purpose trust funds | 25,426 |
| Agency funds | 82,438 |
| Total | \$2,094,248 |

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

| | |
|---|---------|
| Transfers to Non-major Governmental funds from: | |
| General Fund | \$1,000 |

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

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

- B. Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|------------------------------|---------------|
| General | Non-major governmental funds | \$4,028 |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

- C. Loans between governmental funds and agency funds are reported as "External Party Receivable/Payable" on the financial statements. The District had the following loans outstanding at June 30, 2007:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| General | Agency | \$20,000 |

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Logan and Shelby Counties. The respective County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent. The amount available as an advance at June 30, 2007 was \$82,096 in the General Fund, \$21,790 in the Debt Service Fund, and \$6,220 in the Capital Projects Fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2006 was \$85,052 in the General Fund \$19,453 in the Debt Service Fund, and \$6,443 in the capital Projects Fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied

to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

| | 2006 Second Half Collections | | 2007 First Half Collections | |
|--|---|----------------|--|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$48,836,410 | 91.90 | \$49,451,270 | 92.29 |
| Public Utility Personal | 3,004,940 | 5.65 | 2,811,330 | 5.25 |
| Tangible Personal Property | 1,304,144 | 2.45 | 1,318,820 | 2.46 |
| Total | <u>\$53,145,494</u> | <u>100.00</u> | <u>\$53,581,420</u> | <u>100.00</u> |
| Tax Rate per \$1,000 of Assessed Valuation | \$52.20 | | \$52.90 | |

7. SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000 for 5 years and was renewed on March 2, 2004, with a period starting January 1, 2005 lasting 5 years. and will continue for 5 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.

8. RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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 items of receivables reported on the statement of net assets follows:

| Governmental Activities: | |
|---------------------------------|--------------------|
| Taxes | \$2,031,532 |
| Accounts | 1,226 |
| Intergovernmental | 41,752 |
| Accrued interest | 7,958 |
| Total | <u>\$2,082,468</u> |

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

| | <u>Balance June 30, 2006</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2007</u> |
|---|----------------------------------|--------------------|-------------------|----------------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 11,423 | | | \$ 11,423 |
| Total Capital Assets, Not Being Depreciated | 11,423 | | | 11,423 |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 1,363,669 | | | 1,363,669 |
| Buildings and Improvements | 14,127,231 | \$ 1,755 | | 14,128,986 |
| Furniture, Fixtures and Equipment | 2,060,610 | 35,485 | (\$67,503) | 2,028,592 |
| Vehicles | 565,658 | 20,760 | | 586,418 |
| Textbooks | 632,952 | | | 632,952 |
| Total Capital Assets, Being Depreciated | 18,750,120 | 58,000 | (67,503) | 18,740,617 |
| Less: Accumulated Depreciation | | | | |
| Land Improvements | (324,424) | (74,327) | | (398,751) |
| Buildings and Improvements | (2,139,079) | (385,108) | | (2,524,187) |
| Furniture, Fixtures and Equipment | (1,207,244) | (161,467) | 59,220 | (1,309,491) |
| Vehicles | (339,981) | (53,774) | | (393,755) |
| Textbooks | (632,952) | | | (632,952) |
| Total Accumulated Depreciation | (4,643,680) | (674,676) | 59,220 | (5,259,136) |
| Governmental Activities Capital Assets, Net | <u>\$14,117,863</u> | <u>(\$616,676)</u> | <u>(\$ 8,283)</u> | <u>\$13,492,904</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|------------------|
| Instruction: | |
| Regular | \$313,147 |
| Special | 8,125 |
| Vocational | 19,334 |
| Support Services: | |
| Instructional Staff | 45,315 |
| Administration | 65,790 |
| Fiscal | 5,013 |
| Operations and Maintenance | 47,470 |
| Pupil Transportation | 55,332 |
| Extracurricular | 56,137 |
| Food Service Operations | 59,013 |
| Total Depreciation Expense | <u>\$674,676</u> |

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. LONG-TERM OBLIGATIONS

A. During fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

| | Balance June 30, 2006 | Additions | Reductions | Balance June 30, 2007 | Amounts Due in One Year |
|------------------------------------|--------------------------------------|------------------|--------------------|--------------------------------------|--|
| G.O. Bonds- Series 2001 | \$770,066 | \$18,115 | (\$115,000) | \$673,181 | \$120,000 |
| G.O. Refunding Bonds - Series 2006 | 1,658,409 | 6,826 | (30,000) | 1,635,235 | 30,000 |
| Compensated Absences | 537,664 | 72,349 | (19,559) | 590,454 | 102,303 |
| Total | \$2,966,139 | \$97,290 | (\$164,559) | 2,898,870 | \$252,303 |
| Less: Deferred Charge on Refunding | | | | (171,996) | |
| Add: Unamortized Premium | | | | 230,489 | |
| Total on Statement of Net Assets | | | | <u>\$2,957,363</u> | |

Compensated Absences

Compensated absences have been accrued for vacation and severance liabilities. The amounts will be paid from the fund which employee's salaries are paid, which is the general and food service funds.

School Facilities Construction and Improvement General Obligation Bonds

On May 4, 2001, the District issued \$2,881,817 in voted general obligation bonds for the purpose of constructing, renovation, and improving existing school facilities and related site development. The bond issue included serial, term and capital appreciation bonds with par values of \$1,130,000, \$1,685,000, and \$66,817, respectively. The bonds will be retired with a voted property tax levy from the Debt Service Fund. The interest rates on the serial and term bonds are 4.6 to 5.75% and 12.55% for the capital appreciation bonds. During fiscal year 2006, \$1,685,000 of the serial bonds were refunded.

The Capital Appreciation Bonds will mature during fiscal years 2012 and 2013. The accreted value at maturity for the capital appreciation bonds is \$290,000. Total accreted interest of \$91,364 has been included in the statement of net assets at June 30, 2007.

Interest on the remaining Serial bonds will be, payable on June 1 and December 1 of each year, beginning December 1, 2001 until maturity or earlier redemption. The Capital Appreciation bonds will accrue interest, compounded semiannually on June 1 and December 1, from the date of their issuance, but the interest will be payable only at maturity.

The following is a schedule of activity for fiscal 2007 on the 2001 series general obligation bonds:

| | Balance 6/30/2006 | Additions | Reductions | Balance 6/30/2007 |
|----------------------------|------------------------------|------------------|--------------------|------------------------------|
| Current Interest Bonds | \$630,000 | | (\$115,000) | \$515,000 |
| Capital Appreciation Bonds | 140,066 | \$18,115 | | 158,181 |
| Total G.O. Bonds | \$770,066 | \$18,115 | (\$115,000) | \$673,181 |

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the future debt service requirements to maturity for the 2001 series general obligation bonds:

| Fiscal Year Ended | Current Interest Bonds | | | Capital Appreciation Bonds | | |
|------------------------------|-------------------------------|-----------------|------------------|-----------------------------------|------------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2008 | \$120,000 | \$25,895 | \$145,895 | | | |
| 2009 | 125,000 | 19,955 | 144,955 | | | |
| 2010 | 130,000 | 13,705 | 143,705 | | | |
| 2011 | 140,000 | 7,140 | 147,140 | | | |
| 2012 | | | - | \$35,439 | \$109,561 | \$145,000 |
| 2013 | | | | 31,378 | 113,622 | 145,000 |
| Total | \$515,000 | \$66,695 | \$581,695 | \$66,817 | \$223,183 | \$290,000 |

On September 14, 2005 the District issued general obligation bonds (Series 2006A Refunding Bonds) to advance refund the callable portion of the Series 2001 Current Interest General Obligation Bonds (principal \$1,685,000). The issuance proceeds of \$1,685,000 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$1,675,000, and capital appreciation bonds, par value \$10,000. The capital appreciation bonds mature December 1, 2010 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$355,000. Total accreted interest of \$10,235 has been included in the statement of activities.

The reacquisition price exceeded the net carrying amount of the old debt by \$191,520. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a schedule of activity for fiscal 2007 on the 2006 refunding bonds:

| | Balance June 30, 2006 | Additions | Reductions | Balance June 30, 2007 |
|------------------------------|----------------------------------|------------------|-------------------|----------------------------------|
| Current interest bonds | \$1,645,000 | | (\$30,000) | \$1,615,000 |
| Capital appreciation bonds | 13,409 | \$6,826 | | 20,235 |
| Total refunding bonds | \$1,658,409 | \$6,826 | (\$30,000) | \$1,635,235 |

The following is a summary of the future debt service requirements to maturity for the 2006 series refunding bonds:

| Fiscal Year Ended | Current Interest Bonds | | | Capital Appreciation Bonds | | |
|------------------------------|-------------------------------|------------------|--------------------|-----------------------------------|------------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2008 | \$ 30,000 | \$ 62,840 | \$ 92,840 | | | |
| 2009 | 30,000 | 61,865 | 91,865 | | | |
| 2010 | 35,000 | 60,890 | 95,890 | | | |
| 2011 | 35,000 | 59,717 | 94,717 | | | |
| 2012 | 35,000 | 58,510 | 93,510 | | | |
| 2013 - 2017 | 395,000 | 275,085 | 670,085 | \$10,000 | \$345,000 | \$355,000 |
| 2018 - 2022 | 905,000 | 145,890 | 1,050,890 | | | |
| 2023 | 150,000 | 7,500 | 157,500 | | | |
| Total | \$1,615,000 | \$732,297 | \$2,347,297 | \$10,000 | \$345,000 | \$355,000 |

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$2,396,499 (including available funds of \$119,287) and an unvoted debt margin of \$50,951.

11. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service.

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 240 days for all personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit to a maximum of 60 days for all employees.

12. RISK MANAGEMENT

A. Property and Liability

The District is subject to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$19,137,086 and a 90 percent coinsurance. The policy includes a \$5,000 deductible for commercial property coverage.

The District's fleet insurance has a liability limit of \$1,000,000, \$5,000 for medical payments, \$100,000 for fire damage, and \$1,000,000 for uninsured motorists. The policy includes a \$500 deductible for collision coverage.

The District's liability policy has a limit of \$2,000,000 for each occurrence and \$2,000,000 aggregate.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. RISK MANAGEMENT (Continued)

B. Employee Benefits

The District participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of one joint vocational school, one educational service center and Riverside Local School District, Indian Lake Local School District, and Benjamin Logan Local School District. The District pays monthly premiums for employee life insurance and dental and medical benefits. The Plan is responsible for all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

C. Workers' Compensation

For fiscal year 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program.

The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all school Districts in the Program. Each participant pays its workers' compensation premium to the state based on the rate for the Program 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 Program. 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 Program. Participation in the Program is limited to Districts that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Program.

13. PENSION 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. PENSION PLANS (Continued)

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$89,588, \$83,378, and \$74,619, respectively; 38% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$55,960 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

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

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 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.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. PENSION PLANS (Continued)

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$446,203, \$417,988, and \$393,532, respectively; 84% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$71,626 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$4,105 made by the District and \$8,092 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

14. POST-EMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll.

For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$34,323 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million and STRS Ohio had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$41,365 to fund health care benefits, including the surcharge.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. POST-EMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

15. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

| Net Change in Fund Balance | General Fund |
|---|---------------------|
| Budget basis | (\$643,992) |
| Net adjustment for revenue accruals | 39,064 |
| Net adjustment for expenditure accruals | (182,680) |
| Net adjustment for other financing sources/uses | (15,820) |
| Adjustment for encumbrances | 135,597 |
| GAAP basis | (\$667,831) |

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. CONTINGENCIES

A. Grants

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

B. Litigation

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

17. STATUTORY RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

| | Textbooks | Capital Acquisition |
|--|------------------|--------------------------------|
| Set-Aside Cash Balance as of June 30, 2006 | (\$358,260) | (\$247,693) |
| Current Year Set-Aside Requirement | 125,007 | 125,007 |
| Current Year Offsets | | (111,143) |
| Qualifying Disbursements | (126,902) | (23,940) |
| Total | (\$360,155) | (\$257,769) |
| Cash balance carried forward to FY 2008 | (\$360,155) | (\$247,693) |

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve. These extra amounts may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year. The capital acquisition reserve had debt related offsets that may be carried forward to future years. Excess qualifying disbursements may not be carried forward.



Mary Taylor, CPA

Auditor of State

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

Riverside Local School District
Logan County
2096 County Road 24 South
Degraff, Ohio 43318

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Riverside Local School District, Logan County (the District), as of and for the fiscal years ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Mary Taylor, CPA
Auditor of State

January 13, 2009



Mary Taylor, CPA
Auditor of State

RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN 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
FEBRUARY 12, 2009