

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY
(formerly Painesville Township Local School District)**

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Education
Riverside Local School District
585 Riverside Drive
Painesville, Ohio 44077

We have reviewed the *Independent Auditor's Report* of the Riverside Local School District, Lake County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 28, 2008

This Page is Intentionally Left Blank.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Statement of Net Assets	10
Statement of Activities	11
Balance Sheet - Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) Basis and Actual - General Fund	16
Statement of Fund Net Assets - Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets	18
Statement of Cash Flows - Proprietary Funds	19
Statement of Fiduciary Net Assets - Fiduciary Funds	20
Notes to the Basic Financial Statements.	21-55
Schedule of Expenditures and Federal Awards - Cash	56
Notes to Supplemental Schedule of Expenditures of Federal Awards - Cash	57
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58-59
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	60-61
Schedule of Findings and Questioned Costs	62-64
Summary Schedule of Prior Audit Findings	65

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Riverside Local School District

The Honorable Mary Taylor
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Ohio, as of and for the year ended 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 Riverside Local School District, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Ohio, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2007, on our consideration of the Riverside Local School District, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Riverside Local School District, Ohio's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and also is not a required part of the basic financial statements of the Riverside Local School District, Ohio. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements of the Riverside Local School District, Ohio, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 4, 2007

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2007
Unaudited

The 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 notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance. The District formally changed its name from the Painesville Township Local School District to the Riverside Local School District effective July 1, 2007.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- Net assets of governmental activities increased by \$2,852,719.
- General revenues accounted for \$38,285,325 in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,617,496 or 13 percent of total revenues of \$43,902,821.
- Total assets of governmental activities increased by \$2,244,749 as cash and cash equivalents increased by \$1,101,603, investments increased by \$997,035, receivables increased by \$802,343, and capital assets decreased by \$665,891.
- The District had \$40,499,939 in expense related to governmental activities; \$3,763,164 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$38,274,397 were adequate to provide for these programs.
- The District has one major fund: the general fund. The general fund had \$38,132,236 (includes other financing sources) in revenues and \$36,824,649 (includes other financing sources) in expenditures. The general fund's balance increased to \$5,879,633 from \$4,553,459.

Using this Annual Financial Report

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 provides 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.

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2007
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about 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 Statement of Activities answer this question. These statements include *all assets* and *all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 12 of the financial statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the permanent improvement capital projects 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 statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or 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 Statement of Activities) and governmental *funds* is reconciled in the financial statements.

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2007
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2007 compared to 2006:

Table 1 - Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006 As Restated	2007	2006	2007	2006 As Restated
Assets						
Current and						
Other Assets	\$ 40,435,577	\$ 37,524,937	\$ 335,206	\$ 297,057	\$ 40,770,783	\$ 37,821,994
Capital Assets	<u>15,462,036</u>	<u>16,127,927</u>	<u>168,171</u>	<u>130,117</u>	<u>15,630,207</u>	<u>16,258,044</u>
Total Assets	<u>\$ 55,897,613</u>	<u>\$ 53,652,864</u>	<u>\$ 503,377</u>	<u>\$ 427,174</u>	<u>\$ 56,400,990</u>	<u>\$ 54,080,038</u>
Liabilities						
Long-Term Liabilities	\$ 7,882,426	\$ 8,828,179	\$ 0	\$ 0	\$ 7,882,426	\$ 8,828,179
Other Liabilities	<u>32,139,597</u>	<u>31,801,814</u>	<u>71,021</u>	<u>107,121</u>	<u>32,210,618</u>	<u>31,908,935</u>
Total Liabilities	<u>40,022,023</u>	<u>40,629,993</u>	<u>71,021</u>	<u>107,121</u>	<u>40,093,044</u>	<u>40,737,114</u>
Net Assets						
Invested in Capital Assets,						
Net of Debt	8,697,409	8,289,776	168,171	130,117	8,865,580	8,419,893
Restricted	1,565,097	817,806	0	0	1,565,097	817,806
Unrestricted	<u>5,613,084</u>	<u>3,915,289</u>	<u>264,185</u>	<u>189,936</u>	<u>5,877,269</u>	<u>4,105,225</u>
Total Net Assets	<u>\$ 15,875,590</u>	<u>\$ 13,022,871</u>	<u>\$ 432,356</u>	<u>\$ 320,053</u>	<u>\$ 16,307,946</u>	<u>\$ 13,342,924</u>

Total assets increased by \$2,320,952 as cash and cash equivalents increased by \$1,127,014, investments increased by \$997,035, receivables increased by \$809,714, and capital assets decreased by \$627,837. Unrestricted net assets of the District, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased by \$1,772,044.

Table 2 shows the changes in net assets for fiscal year 2007 and also presents a comparative analysis to fiscal year 2006 for governmental activities, business-type activities, and both governmental and business-type activities combined.

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2007
Unaudited

Table 2 - Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006 As Restated	2007	2006	2007	2006 As Restated
Revenues						
Program Revenues:						
Charges for Services	\$ 1,761,647	\$ 2,036,460	\$ 1,382,878	\$ 1,728,767	\$ 3,144,525	\$ 3,765,227
Operating Grants and Contributions	2,001,517	1,715,780	471,454	0	2,472,971	1,715,780
General Revenues:						
Property Taxes	26,983,502	26,468,469	0	0	26,983,502	26,468,469
Grants and Entitlements	10,640,993	9,653,736	0	0	10,640,993	9,653,736
Investment Earnings	552,828	414,776	10,928	0	563,756	414,776
Other	97,074	8,252	0	0	97,074	8,252
Total Revenues	42,037,561	40,297,473	1,865,260	1,728,767	43,902,821	42,026,240
Program Expenses						
Instruction:						
Regular	18,235,550	17,624,546	0	0	18,235,550	17,624,546
Special	3,062,212	2,991,000	0	0	3,062,212	2,991,000
Other	659,074	863,590	0	0	659,074	863,590
Support Services:						
Pupil	1,757,215	1,765,845	0	0	1,757,215	1,765,845
Instructional Staff	1,317,402	1,620,461	0	0	1,317,402	1,620,461
Board of Education	9,135	20,275	0	0	9,135	20,275
Administration	4,122,601	3,608,191	0	0	4,122,601	3,608,191
Fiscal	910,762	854,852	0	0	910,762	854,852
Business	105,812	75,301	0	0	105,812	75,301
Operation and Maintenance						
of Plant	4,562,395	4,485,018	0	0	4,562,395	4,485,018
Pupil Transportation	4,437,476	4,474,116	0	0	4,437,476	4,474,116
Central	70,554	55,886	0	0	70,554	55,886
Operation of Non-Instructional						
Services	155,356	124,288	0	0	155,356	124,288
Extracurricular Activities	778,312	749,805	0	0	778,312	749,805
Interest and Fiscal Charges	316,083	540,321	0	0	316,083	540,321
Food Service	0	0	1,479,178	1,377,862	1,479,178	1,377,862
Special Education	0	0	273,779	281,815	273,779	281,815
Total Program Expenses	40,499,939	39,853,495	1,752,957	1,659,677	42,252,896	41,513,172
Increase (Decrease) in						
Net Assets	1,537,622	443,978	112,303	69,090	1,649,925	513,068
Net Assets,						
Beginning of Year	14,337,968	13,893,990	320,053	250,963	14,658,021	14,144,953
Net Assets, End of Year	\$ 15,875,590	\$14,337,968	\$ 432,356	\$ 320,053	\$16,307,946	\$14,658,021

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and its value was increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become .5 mills and the owner would still pay \$35.00.

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2007
Unaudited

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 65.3 percent of revenues for governmental activities for the District in fiscal year 2007.

Earnings on investments have increased due to higher cash balances and higher interest rates. Grants and entitlements have increased as a result of the additional tangible personal property tax reimbursements received from the State of Ohio.

Instruction comprises 54.2 percent of governmental program expenses, which is comparable to the prior year. Interest expense was .8 percent of governmental program expenses. Interest expense was attributable to the outstanding bond and borrowing for capital projects. Interest and Fiscal Charges decreased due to a loan being paid off during fiscal year 2007.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. A comparative analysis of 2007 to 2006 is presented.

Table 3 - Governmental Activities

	Total Cost	Total Cost	Net Cost	Net Cost
	of Services	of Services	of Services	of Services
	2007	2006	2007	2006
	<u>2007</u>	<u>As Restated</u>	<u>2007</u>	<u>As Restated</u>
Instruction	\$ 21,956,836	\$ 21,479,136	\$ (19,871,269)	\$ (19,238,589)
Support Services:				
Pupil and Instructional Staff	3,074,617	3,386,306	(2,556,194)	(2,837,726)
Board of Education, Administration, Fiscal, and Business	5,148,310	4,558,619	(5,118,618)	(4,484,841)
Operation and Maintenance of Plant	4,562,395	4,485,018	(4,562,005)	(4,474,246)
Pupil Transportation	4,437,476	4,474,116	(4,305,622)	(4,326,511)
Central	70,554	55,886	(30,721)	(55,886)
Operation of Non-Instructional Services	155,356	124,288	130,728	(52,078)
Extracurricular Activities	778,312	749,805	(106,991)	(91,057)
Interest and Fiscal Charges	316,083	540,321	(316,083)	(540,321)
Total Expenses	<u>\$ 40,499,939</u>	<u>\$ 39,853,495</u>	<u>\$ (32,736,775)</u>	<u>\$ (36,101,255)</u>

The School District's Funds

The District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue of \$43,502,740 (includes other financing sources) and expenditures of \$41,516,659 (includes other financing uses). The net change in fund balance for the year was most significant in the general fund, an increase of \$1,326,174, which includes the change in reserve for inventory.

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2007
Unaudited

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's general fund budget remained constant. The District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the original and final budget basis revenue and other financing sources estimate was \$38,115,073. During fiscal year 2007, the District budgeted \$25,971,437 for property tax revenue. The District received \$26,171,723 in property tax revenue. This variance was simply caused by under-estimation of the revenue line item.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$15,630,207 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2007 balances compared to 2006:

Table 4 - Capital Assets at June 30

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 1,495,805	\$ 1,761,805	\$ 0	\$ 0	\$ 1,495,805	\$ 1,761,805
Land Improvements	1,918,735	2,025,807	0	0	1,918,735	2,025,807
Buildings and Improvements	8,635,058	8,781,930	0	0	8,635,058	8,781,930
Furniture and Equipment	972,653	1,008,218	168,171	130,117	1,140,824	1,138,335
Vehicles	<u>2,439,785</u>	<u>2,550,167</u>	<u>0</u>	<u>0</u>	<u>2,439,785</u>	<u>2,550,167</u>
	<u>\$15,462,036</u>	<u>\$ 16,127,927</u>	<u>\$ 168,171</u>	<u>\$ 130,117</u>	<u>\$ 15,630,207</u>	<u>\$ 16,258,044</u>

Overall capital assets decreased \$627,837 from fiscal year 2006 to fiscal year 2007. See Note 8 to the basic financial statements for more detail.

Debt

At June 30, 2007, the District had \$6,673,495 in bonds and notes outstanding. \$7,730,000 in debt, carrying an average interest rate of 5.75 percent, was refunded with new bonds carrying an average interest rate of 3.05 percent. On June 23, 2005, the District issued \$541,002 in general obligation (GO) bonds, carrying an average interest rate of 5.33 percent with an average maturity of 6.86 years, and \$1,000,000 long-term promissory note with 0 percent interest with maturity in 2007. Table 5 summarizes outstanding debt. Also see Note 9 to the basic financial statements for more detail.

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2007
Unaudited

Table 5 - Outstanding Debt at Year End

	Governmental Activities	
	2007	2006 As Restated
Limited Tax General Obligation Bond	\$ 472,535	\$ 507,657
2003 School Improvement Bonds (including bond accretion)	6,200,960	6,729,236
2001 Tax Anticipation Notes	0	650,000
Long-term Promissory Note with Zero Interest	0	500,000
Total	\$ 6,673,495	\$ 8,386,893

Economic Factors

The District is dependent on its local taxpayers. Based on the current financial information, the new levy, which passed in August of 2004, and the ability to maintain current program and staffing levels, the District will be able to maintain financial stability.

Based on these factors, the Board of Education and administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District, as well as careful planning to ensure that significant outlays may be made in the future to address our facility needs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Michael J. Vaccariello, Treasurer/CFO at Riverside Local School District, 585 Riverside Drive, Painesville, Ohio 44077 or email at pa_vaccariello@lgca.org.

RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 8,261,451	\$ 236,686	\$ 8,498,137
Restricted Cash and Cash Equivalents	585,565	0	585,565
Investments	998,868	0	998,868
Inventory	182,318	15,029	197,347
Accrued Interest Receivable	16,667	0	16,667
Accounts Receivable	9,444	63,955	73,399
Internal Balances	(19,536)	19,536	0
Intergovernmental Receivable	2,711,446	0	2,711,446
Taxes Receivable	27,689,354	0	27,689,354
Non-Depreciable Capital Assets	220,803	0	220,803
Depreciable Capital Assets, Net	<u>15,241,233</u>	<u>168,171</u>	<u>15,409,404</u>
Total Assets	<u>\$ 55,897,613</u>	<u>\$ 503,377</u>	<u>\$ 56,400,990</u>
<u>Liabilities</u>			
Accounts Payable	\$ 227,922	\$ 5,716	\$ 233,638
Accrued Wages and Benefits	2,662,984	65,305	2,728,289
Intergovernmental Payable	1,255,878	0	1,255,878
Accrued Interest Payable	13,375	0	13,375
Matured Compensated Absences Payable	50,028	0	50,028
Contracts Payable	610,480	0	610,480
Claims Payable	560,640	0	560,640
Unearned Revenue	26,758,290	0	26,758,290
Long-Term Liabilities:			
Due Within One Year	875,668	0	875,668
Due In More Than One Year	<u>7,006,758</u>	<u>0</u>	<u>7,006,758</u>
Total Liabilities	<u>40,022,023</u>	<u>71,021</u>	<u>40,093,044</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	8,697,409	168,171	8,865,580
Restricted for:			
Debt Service	597,026	0	597,026
Capital Outlay	714,970	0	714,970
Other Purposes	253,101	0	253,101
Unrestricted	<u>5,613,084</u>	<u>264,185</u>	<u>5,877,269</u>
Total Net Assets	<u>\$ 15,875,590</u>	<u>\$ 432,356</u>	<u>\$ 16,307,946</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
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, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	\$ 18,235,550	\$ 807,331	\$ 138,423	\$ (17,289,796)	\$ 0	\$ (17,289,796)
Special	3,062,212	199,157	940,656	(1,922,399)	0	(1,922,399)
Other	659,074	0	0	(659,074)	0	(659,074)
Support Services:						
Pupil	1,757,215	0	302,836	(1,454,379)	0	(1,454,379)
Instructional Staff	1,317,402	0	215,587	(1,101,815)	0	(1,101,815)
Board of Education	9,135	0	0	(9,135)	0	(9,135)
Administration	4,122,601	0	29,692	(4,092,909)	0	(4,092,909)
Fiscal	910,762	0	0	(910,762)	0	(910,762)
Business	105,812	0	0	(105,812)	0	(105,812)
Operation and Maintenance of Plant	4,562,395	0	390	(4,562,005)	0	(4,562,005)
Pupil Transportation	4,437,476	71,098	60,756	(4,305,622)	0	(4,305,622)
Central	70,554	0	39,833	(30,721)	0	(30,721)
Operation of Non-Instructional Services	155,356	12,740	273,344	130,728	0	130,728
Extracurricular Activities	778,312	671,321	0	(106,991)	0	(106,991)
Interest and Fiscal Charges	316,083	0	0	(316,083)	0	(316,083)
Total Governmental Activities	<u>40,499,939</u>	<u>1,761,647</u>	<u>2,001,517</u>	<u>(36,736,775)</u>	<u>0</u>	<u>(36,736,775)</u>
Business-Type Activities						
Food Service Fund	1,479,178	1,088,519	471,454	0	80,795	80,795
Special Education Fund	273,779	294,359	0	0	20,580	20,580
Total Business-Type Activities	<u>1,752,957</u>	<u>1,382,878</u>	<u>471,454</u>	<u>0</u>	<u>101,375</u>	<u>101,375</u>
Totals	<u>\$ 42,252,896</u>	<u>\$ 3,144,525</u>	<u>\$ 2,472,971</u>	<u>(36,736,775)</u>	<u>101,375</u>	<u>(36,635,400)</u>
General Revenues						
Property Taxes Levied for:						
General Purposes				25,027,101	0	25,027,101
Capital Outlay				1,277,077	0	1,277,077
Debt Service				679,324	0	679,324
Grants and Entitlements not Restricted to Specific Programs				10,640,993	0	10,640,993
Investment Earnings				552,828	10,928	563,756
Miscellaneous				97,074	0	97,074
Total General Revenues				<u>38,274,397</u>	<u>10,928</u>	<u>38,285,325</u>
Change in Net Assets				1,537,622	112,303	1,649,925
Net Assets Beginning of Year, as Restated				14,337,968	320,053	14,658,021
Net Assets End of Year				<u>\$ 15,875,590</u>	<u>\$ 432,356</u>	<u>\$ 16,307,946</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Totals</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,704,226	\$ 1,478,943	\$ 7,183,169
Restricted Cash and Cash Equivalents	585,565	0	585,565
Investments	998,868	0	998,868
Inventory	182,318	0	182,318
Accrued Interest Receivable	16,667	0	16,667
Accounts Receivable	9,009	435	9,444
Due from Other Funds	750	0	750
Intergovernmental Receivable	2,711,446	0	2,711,446
Taxes Receivable	<u>25,696,341</u>	<u>1,993,013</u>	<u>27,689,354</u>
Total Assets	<u>\$ 35,905,190</u>	<u>\$ 3,472,391</u>	<u>\$39,377,581</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 188,056	\$ 39,866	\$ 227,922
Accrued Wages and Benefits	2,579,526	83,458	2,662,984
Due to Other Funds	19,536	750	20,286
Intergovernmental Payable	1,249,670	6,208	1,255,878
Matured Compensated Absences Payable	50,028	0	50,028
Deferred Revenue	<u>25,938,741</u>	<u>1,815,377</u>	<u>27,754,118</u>
Total Liabilities	<u>30,025,557</u>	<u>1,945,659</u>	<u>31,971,216</u>
<u>Fund Balances</u>			
Reserved for:			
Encumbrances	898,944	331,057	1,230,001
Inventory	182,318	0	182,318
Property Taxes	1,864,491	145,641	2,010,132
Budget Stabilization	585,565	0	585,565
Unreserved, Undesignated Reported in:			
General Fund	2,348,315	0	2,348,315
Special Revenue Funds	0	191,489	191,489
Debt Service Fund	0	546,617	546,617
Capital Projects Funds	<u>0</u>	<u>311,928</u>	<u>311,928</u>
Total Fund Balances	<u>5,879,633</u>	<u>1,526,732</u>	<u>7,406,365</u>
Total Liabilities and Fund Balances	<u>\$35,905,190</u>	<u>\$ 3,472,391</u>	<u>\$ 39,377,581</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances		\$ 7,406,365
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.		15,462,036
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		995,828
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(92,838)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Limited Tax General Obligation Bond	\$ (472,535)	
General Obligation Bonds	(5,785,000)	
Compensated Absences	(975,502)	
Accrued Interest Payable	(13,375)	
Accretion on Bonds	(415,960)	
Deferred Charges on Refunding Bonds	(91,132)	
Capital Lease Payable	(117,486)	
Retirement Payment Liability	<u>(24,811)</u>	
Total		<u>(7,895,801)</u>
Net Assets of Governmental Activities		<u>\$ 15,875,590</u>

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property Taxes	\$ 25,310,130	\$ 1,992,641	\$ 27,302,771
Intergovernmental	10,810,373	1,632,257	12,442,630
Earnings on Investments	515,502	37,326	552,828
Tuition and Fees	1,184,639	163	1,184,802
Rent	12,740	0	12,740
Extracurricular Activities	0	563,355	563,355
Miscellaneous	<u>97,552</u>	<u>272</u>	<u>97,824</u>
Total Revenues	<u>37,930,936</u>	<u>4,226,014</u>	<u>42,156,950</u>
Expenditures			
Current:			
Instruction:			
Regular	17,349,314	272,909	17,622,223
Special	2,358,646	665,712	3,024,358
Other	659,074	0	659,074
Support Services:			
Pupil	1,415,326	341,889	1,757,215
Instructional Staff	1,070,232	247,170	1,317,402
Board of Education	17,450	0	17,450
Administration	3,894,848	147,983	4,042,831
Fiscal	879,880	27,900	907,780
Business	105,812	0	105,812
Operation and Maintenance of Plant	4,389,485	195,227	4,584,712
Pupil Transportation	4,021,360	258,484	4,279,844
Central	22,717	47,837	70,554
Operation of Non-Instructional Services	58,340	69,689	128,029
Extracurricular Activities	334,119	353,731	687,850
Debt Service:			
Principal Retirement	0	1,185,122	1,185,122
Interest and Fiscal Charges	<u>0</u>	<u>207,871</u>	<u>207,871</u>
Total Expenditures	<u>36,576,603</u>	<u>4,021,524</u>	<u>40,598,127</u>
Excess of Revenues Over Expenditures	<u>1,354,333</u>	<u>204,490</u>	<u>1,558,823</u>
Other Financing Sources (Uses)			
Transfers In	19,500	899,032	918,532
Proceeds from Sale of Capital Assets	600	245,458	246,058
Inception of Capital Lease	181,200	0	181,200
Transfers Out	<u>(248,046)</u>	<u>(670,486)</u>	<u>(918,532)</u>
Total Other Financing Sources (Uses)	<u>(46,746)</u>	<u>474,004</u>	<u>427,258</u>
Net Change in Fund Balances	1,307,587	678,494	1,986,081
Fund Balances Beginning of Year	4,553,459	848,238	5,401,697
Increase in Reserve for Inventory	<u>18,587</u>	<u>0</u>	<u>18,587</u>
Fund Balances End of Year	<u>\$ 5,879,633</u>	<u>\$ 1,526,732</u>	<u>\$ 7,406,365</u>

See accompanying notes to the basic financial statements.

RIVERSIDE LOCAL SCHOOL DISTRICT
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 \$ 1,986,081

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 exceeded capital outlay in the current period.

Capital Additions	\$ 429,695	
Current Year Depreciation	<u>(828,441)</u>	
Total		(398,746)

The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.

Disposal of Capital Assets	(277,447)	
Accumulated Depreciation on Disposed Capital Assets	<u>10,302</u>	
		(267,145)

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

Grants	199,880	
Taxes	<u>(319,269)</u>	
Total		(119,389)

Amortization of deferred charges on refunding bonds. 10,126

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,248,836

Some capital lease additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. The following activity is the result of a capital lease transaction:

Inception of a Capital Lease		(181,200)
------------------------------	--	-----------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due. 3,386

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These consist of:

Decrease in Compensated Absences Payable	14,526	
Change in Inventory	18,587	
Retirement Incentive Liability	(24,811)	
Bond Accretion	<u>(121,724)</u>	
Total		(113,422)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (630,905)

Change in Net Assets of Governmental Activities \$ 1,537,622

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$25,971,437	\$25,971,437	\$26,171,723	\$ 200,286
Intergovernmental	10,757,336	10,757,336	10,810,373	53,037
Earnings on Investments	300,000	300,000	513,783	213,783
Tuition and Fees	1,040,000	1,040,000	1,183,623	143,623
Rent	14,800	14,800	12,740	(2,060)
Miscellaneous	12,000	12,000	138,909	126,909
Total Revenues	<u>38,095,573</u>	<u>38,095,573</u>	<u>38,831,151</u>	<u>735,578</u>
Expenditures				
Current:				
Instruction:				
Regular	17,895,350	17,895,350	17,185,790	709,560
Special	2,407,554	2,407,554	2,472,333	(64,779)
Other	786,633	786,633	674,429	112,204
Support Services:				
Pupil	1,532,573	1,532,573	1,598,907	(66,334)
Instructional Staff	1,390,654	1,390,654	1,184,623	206,031
Board of Education	19,650	19,650	17,485	2,165
Administration	3,569,572	3,569,572	4,001,812	(432,240)
Fiscal	947,056	947,056	1,065,325	(118,269)
Business	107,490	107,490	105,812	1,678
Operation and Maintenance of Plant	4,504,145	4,504,145	4,664,073	(159,928)
Pupil Transportation	4,470,049	4,470,049	4,370,306	99,743
Central	29,181	29,181	22,986	6,195
Operation of Non-Instructional Services	75,600	75,600	58,340	17,260
Extracurricular Activities	371,937	371,937	332,576	39,361
Capital Outlay	1,493	1,493	1,493	0
Total Expenditures	<u>38,108,937</u>	<u>38,108,937</u>	<u>37,756,290</u>	<u>352,647</u>
Excess of Revenue Over (Under) Expenditures	<u>(13,364)</u>	<u>(13,364)</u>	<u>1,074,861</u>	<u>1,088,225</u>
Other Financing Sources (Uses)				
Transfers In	19,500	19,500	19,500	0
Advances In	0	0	2,000	2,000
Proceeds from Sale of Capital Assets	0	0	600	600
Refund of Prior Year Expenditures	0	0	4,391	4,391
Transfers Out	(150,000)	(150,000)	(248,046)	(98,046)
Advances Out	(50,000)	(50,000)	(750)	49,250
Other Financing Uses	(50,000)	(50,000)	0	50,000
Total Other Financing Sources (Uses)	<u>(230,500)</u>	<u>(230,500)</u>	<u>(222,305)</u>	<u>8,195</u>
Net Change in Fund Balance	<u>(243,864)</u>	<u>(243,864)</u>	<u>852,556</u>	<u>1,096,420</u>
Fund Balance at Beginning of Year	4,798,202	4,798,202	4,798,202	0
Prior Year Encumbrances Appropriated	<u>599,165</u>	<u>599,165</u>	<u>599,165</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,153,503</u>	<u>\$ 5,153,503</u>	<u>\$ 6,249,923</u>	<u>\$ 1,096,420</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007**

	<u>Business- Type Activities Nonmajor Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
<u>Assets</u>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 236,686	\$ 0
Cash with Fiscal Agent	0	1,078,282
Accounts Receivable	63,955	0
Inventory	15,029	0
Due from Other Funds	<u>19,536</u>	<u>0</u>
Total Current Assets	<u>335,206</u>	<u>1,078,282</u>
Noncurrent Assets:		
Depreciable Capital Assets, Net	<u>168,171</u>	<u>0</u>
Total Noncurrent Assets	<u>168,171</u>	<u>0</u>
Total Assets	<u>\$ 503,377</u>	<u>\$ 1,078,282</u>
<u>Liabilities</u>		
Accounts Payable	\$ 5,716	\$ 0
Contracts Payable	0	610,480
Accrued Wages and Benefits	65,305	0
Claims Payable	<u>0</u>	<u>560,640</u>
Total Liabilities	<u>71,021</u>	<u>1,171,120</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	168,171	0
Unrestricted (Deficit)	<u>264,185</u>	<u>(92,838)</u>
Total Net Assets	<u>\$ 432,356</u>	<u>\$ (92,838)</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Business- Type Activities Nonmajor Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
<u>Operating Revenues</u>		
Food Services	\$ 1,088,519	\$ 0
Charges for Services	0	4,137,853
Miscellaneous Revenue	<u>294,359</u>	<u>0</u>
Total Operating Revenues	<u>1,382,878</u>	<u>4,137,853</u>
<u>Operating Expenses</u>		
Salaries and Wages	641,489	0
Fringe Benefits	201,543	4,768,758
Purchased Services	93,852	0
Materials and Supplies	797,850	0
Depreciation	<u>18,223</u>	<u>0</u>
Total Operating Expenses	<u>1,752,957</u>	<u>4,768,758</u>
Operating (Loss)	<u>(370,079)</u>	<u>(630,905)</u>
<u>Non-Operating Revenues (Expenses)</u>		
Federal Donated Commodities	62,431	0
Interest	10,928	0
Federal and State Subsidies	<u>409,023</u>	<u>0</u>
Total Non-Operating Revenues (Expenses)	<u>482,382</u>	<u>0</u>
Changes in Net Assets	112,303	(630,905)
Net Assets Beginning of Year	<u>320,053</u>	<u>538,067</u>
Net Assets End of Year	<u>\$ 432,356</u>	<u>\$ (92,838)</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Business- Type Activities</u> Nonmajor Enterprise Funds	<u>Governmental Activities</u> Internal Service Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 1,088,519	\$ 4,137,853
Cash Received from Other Operating Sources	288,988	0
Cash Payments to Suppliers for Goods and Services	(825,031)	0
Cash Payments to Employees	(879,811)	0
Cash Payments for Claims	0	(4,008,782)
Net Cash Provided by (Used for) Operating Activities	<u>(327,335)</u>	<u>129,071</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Receipts for Operating Grants	409,023	0
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>409,023</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Payments for Capital Acquisition	(56,277)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(56,277)</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	25,411	129,071
Cash and Cash Equivalents, Beginning of Year	211,275	949,211
Cash and Cash Equivalents, End of Year	<u>\$ 236,686</u>	<u>\$ 1,078,282</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>		
Operating (Loss)	\$ (370,079)	\$ (630,905)
Adjustments:		
Depreciation	18,223	0
Federal Donated Commodities	62,431	0
(Increase) Decrease in Assets:		
Accounts Receivable	(5,371)	0
Inventory	3,561	0
Increase (Decrease) in Liabilities:		
Accounts Payable	679	0
Contracts Payable	0	610,480
Accrued Wages and Benefits	(36,779)	0
Claims Payable	0	149,496
Total Adjustments	<u>42,744</u>	<u>759,976</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (327,335)</u>	<u>\$ 129,071</u>

Schedule of Noncash Financing Activities

During the year, the Food Services Enterprise Fund received Donated Commodities of \$62,431.

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 954,761
Due from Other Governments	<u>6,208</u>
Total Assets	<u>\$ 960,969</u>
<u>Liabilities</u>	
Accounts Payable	\$ 241
Due to Other Governments	814,739
Due to Employees	10,596
Due to Students	<u>135,393</u>
Total Liabilities	<u>\$ 960,969</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1: DESCRIPTION OF THE DISTRICT

The Riverside Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five-member elected Board of Education and is responsible for the provision of public education to residents of the District. The District is located in Lake County. The District formally changed its name from the Painesville Township Local School District to the Riverside Local School District effective July 1, 2007.

Average daily membership was 4,539. The District employed 297 certificated employees and 271 classified employees. It currently operates six elementary schools, a middle school, a junior high school, and a high school.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the Riverside Local School District, this includes general operations, education, pupil transportation, food service, and maintenance of District facilities.

The Hershey Montessori School in Concord Township is the only non-public school which operates within the District’s boundaries.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and:

- (1) the District is able to significantly influence the programs or services performed or provided by the organization; or
- (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 1: **DESCRIPTION OF THE DISTRICT** (Continued)

The District is associated with two jointly governed organizations. These organizations are discussed in Note 16 to the basic financial statements. These organizations are the Ohio Schools' Council Association and the Lake Geauga Computer Association (LGCA).

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. **Fund Accounting**

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

Governmental Funds

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

General Fund - The general fund of the District 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.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Fund Accounting** (Continued)

Governmental Funds (Continued)

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

Proprietary Fund Types

Proprietary funds focus on the determination of the changes in net assets, financial position, and cash flows and are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. These funds account for food services, the latchkey programs, and adult education.

Internal Service Funds - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governmental units, on a cost-reimbursement basis. The District accounts for a self-insurance program, which provides medical and dental benefits to employees.

Fiduciary Fund Types

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 does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has three agency funds: the Student Activities fund, the East Shore Activity fund, and the Employee Flexible Spending fund.

B. **Basis of Presentation**

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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Basis of Presentation** (Continued)

Government-wide Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's government activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Basis of Presentation** (Continued)

Fund Financial Statements (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

C. **Basis of Accounting**

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

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 year end.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Basis of Accounting** (Continued)

Revenues – Exchange and Non-Exchange Transactions (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and 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, interest, tuition, grants, student fees, and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and 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, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Basis of Accounting** (Continued)

Expenses/Expenditures

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

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

D. **Cash and Cash Equivalents**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements. The District’s internal service fund had a balance of \$1,078,282 with the Lake County Council of Governments Health Care Benefits Program, a claim servicing pool (See Note 15). The balance in this account is presented on the internal service fund financial statements as “Cash with Fiscal Agent”.

During fiscal year 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and U.S. Government Securities.

Investments are reported at fair value which is based on quoted market prices. For investments in STAROhio, fair value is determined by the pool’s share price.

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General fund. The gain/loss resulting from valuation will be reported within the investment earnings account on the statement of activities.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$519,522. The amount allocated from the other funds during fiscal year 2007 amounted to \$96,646.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Restricted Assets**

Restricted assets represent cash and cash equivalents and other current assets whose use is limited by legal requirements. Restricted assets in the general fund include amounts required by statute to be set aside for the purchase of textbooks and other instructional material and the creation of a reserve for budget stabilization. See Note 20 for calculation of year end reserve balances.

F. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed. The District has no prepaid expenses as of June 30, 2007.

G. **Inventory**

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. **Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Capital Assets** (Continued)

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 one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvement	20-40 years	N/A
Buildings and Improvements	10-80 years	N/A
Furniture and Equipment	5-10 years	5-10 years
Vehicles	10-15 years	N/A

I. **Interfund Transactions**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. **Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

J. **Compensated Absences** (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for certificated, non-certificated, and administrative employees once vested with the District.

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

K. **Accrued Liabilities and Long-Term Obligations**

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current expendable available financial resources. In general, payments made more than sixty days after year end are considered not to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

L. **Fund Balance Reserves**

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates this portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventories of supplies and materials, property tax, and budget stabilization.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

L. **Fund Balance Reserves** (Continued)

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

M. **Net Assets**

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

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

N. **Operating Revenues and Expenses**

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

O. **Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

P. **Interfund Transactions**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Q. Extraordinary and Special Items

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

R. Estimates

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

S. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Lake County Budget Commission for rate determination.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

S. **Budgetary Data** (Continued)

Estimated Resources

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2007.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

S. **Budgetary Data** (Continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

NOTE 3: **RESTATEMENT OF NET ASSETS**

In 2006, there was an understatement of bond accretion liability due to bond accretion not being recorded since the inception of refunded debt.

	<u>Governmental</u>
<u>Full Accrual Basis of Accounting</u>	
Net Assets at June 30, 2006	\$14,632,204
Understatement of Bond Accretion Liability	<u>(294,236)</u>
Adjusted Net Assets at June 30, 2006	<u>\$14,337,968</u>

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (CONTINUED)**

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP) and Actual - All Governmental Fund Types and Similar Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP) and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue funds.

Net Change in Fund Balance - General Fund	
GAAP Basis	\$ 2,534,704
Net Adjustments for Revenue Accruals	(501,714)
Net Adjustments for Expenditure Accruals	(137,685)
Adjustments for Encumbrances	<u>(1,042,749)</u>
Budget Basis	<u>\$ 852,556</u>

NOTE 5: 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.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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

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

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

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

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 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 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;

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Cash on Hand

At fiscal year end, the District had \$250 in undeposited cash on hand, which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits

At June 30, 2007, the carrying amount of the District's deposits was \$8,959,931 and the bank balance was \$10,099,451, not including cash with fiscal agent of \$1,078,282. Of the District's bank balance, \$103,095 was covered by Federal Depository Insurance and \$9,996,356 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Although the securities were held by the pledging institution's trust department and all statutory requirements for the investments of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)

Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposit may not be returned. The District’s policy is to place deposits with major local banks approved by the District’s Board of Education. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the ORC, is held in financial institution 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 a Federal Reserve bank in the name of the District.

Investments

The District has a formal investment policy. The objective of the policy shall be the preservation of capital and protection of principal while earning interest. The District follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. All investments are in an internal investment pool.

Cash and investments at year-end were as follows:

<u>Cash and Investments</u>	<u>Fair Value</u>	<u>Credit Rating (*)</u>	<u>Investment Maturities (in Years)</u>	
			<u>< 1</u>	<u>1-2</u>
STAROhio	\$ 1,833	AAAm	\$ 1,833	\$ 0
U.S. Government Securities	997,035	AAA	0	997,035
Carrying Amount of Deposits	8,959,931		-	-
Petty Cash	250		-	-
Cash with Fiscal Agent	<u>1,078,282</u>		-	-
Total	<u>\$ 11,037,331</u>		<u>\$ 1,833</u>	<u>\$ 997,035</u>

*Credit rating was obtained from Standard & Poor’s for all investments.

Interest Rate Risk

As a means of limited its exposure to fair value of losses caused by rising interest rates, the District’s investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the District’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

Interest Rate Risk (Continued)

The District's investment policy requires that investments made must mature within five years, unless they are matched to a separate obligation or debt of the District. The purpose of the investments is to maximize the returns on the District's excess cash balances consistent with safety of these monies and with the desired liquidity of the investments.

Credit Risk

The credit risk of the District's investments are in the table above. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District's total investments are 99.8 percent in U.S. Government Securities.

NOTE 6: **PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District's fiscal year runs from July through June. First half tax 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 (used in business) property located in the District. Property tax revenue received during calendar 2007 for real and public utility property taxes represents collections of calendar 2006 taxes. Property tax payments received during calendar 2007 for tangible personal property (other than public utility property) is for calendar 2007 taxes.

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (CONTINUED)**

NOTE 6: **PROPERTY TAXES** (Continued)

2007 real property taxes are levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance fiscal year 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes are levied after April 30, 2007 on the assessed value as of December 31, 2006, the lien date, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after April 1, 2007, on the assessed value listed as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are 25 percent of true value.

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

	<u>2006</u>		<u>2007</u>	
	<u>Second-Half Collections</u>		<u>First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 842,574,760	91.90%	\$ 987,445,000	94.14%
Public Utility	20,522,420	2.24%	21,303,240	2.03%
Tangible Personal Property	<u>53,743,968</u>	<u>5.86%</u>	<u>40,217,678</u>	<u>3.83%</u>
	<u>\$ 916,841,148</u>	<u>100.00%</u>	<u>\$ 1,048,965,918</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$ 54.55		\$ 53.83	

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 earlier or later payment dates to be established.

Tangible personal property taxes paid 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.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 6: **PROPERTY TAXES** (Continued)

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 Lake County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Riverside Local School District. The County Auditor periodically remits to the District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2007. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2007, was \$2,010,132 and is recognized as revenue. \$1,864,491 was available to the general fund. \$48,631 was available to the bond retirement fund, and \$97,010 was available to the permanent improvement capital projects fund.

NOTE 7: **LAKE COUNTY SCHOOL FINANCING DISTRICT**

The Board of Education of the Lake County School District has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Ohio Revised Code, created a county school financing district known as the Lake County School Financing District (the "Financing District") for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the Financing District: the provision of necessary personnel, materials, supplies, and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science, and business education.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 7: **LAKE COUNTY SCHOOL FINANCING DISTRICT** (Continued)

The Board of Education of the Lake County School District acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Ohio Revised Code. The Financing District receives settlements of taxes levied and distributes them within ten days to each of the member district's proportionate share of that tax settlement. Each member district's proportionate share is a fraction, the numerator being member district's total pupil population and the denominator being the aggregate pupil population of all member districts as of that date.

Taxes collected by the Financing District available to the District at June 30 are recorded as receivables and revenue for the current fiscal year. Uncollected taxes outstanding received by the Financing District within 60 days after the fiscal year are recorded as a receivable and deferred revenue for they are measurable but not available to the District. The total receivable of \$2,711,446 is included in the account "Receivables - Intergovernmental".

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 8: CAPITAL ASSETS

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

	Balance at 6/30/06	Additions	Deletions	Balance at 6/30/07
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,761,805	\$ 0	\$ (266,000)	\$ 1,495,805
<i>Total Capital Assets, not being depreciated</i>	<u>1,761,805</u>	<u>0</u>	<u>(266,000)</u>	<u>1,495,805</u>
<i>Capital Assets being depreciated:</i>				
Land Improvements	2,661,508	0	0	2,661,508
Buildings and Improvements	14,364,095	124,700	0	14,488,795
Furniture, Fixtures, and Equipment	3,777,489	134,769	(11,447)	3,900,811
Vehicles	4,132,668	170,226	0	4,302,894
<i>Total Capital Assets being depreciated</i>	<u>24,935,760</u>	<u>429,695</u>	<u>(11,447)</u>	<u>25,354,008</u>
Total Capital Assets at Historical Cost	<u>26,697,565</u>	<u>429,695</u>	<u>(277,447)</u>	<u>26,849,813</u>
Less Accumulated Depreciation:				
Land Improvements	(635,701)	(107,072)	0	(742,773)
Buildings and Improvements	(5,582,165)	(271,572)	0	(5,853,737)
Furniture, Fixtures, and Equipment	(2,769,271)	(169,189)	10,302	(2,928,158)
Vehicles	(1,582,501)	(280,608)	0	(1,863,109)
Total Accumulated Depreciation	<u>(10,569,638)</u>	<u>(828,441)</u>	<u>10,302</u>	<u>(11,387,777)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>14,366,122</u>	<u>(398,746)</u>	<u>(1,145)</u>	<u>13,966,231</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,127,927</u>	<u>\$ (398,746)</u>	<u>\$ (267,145)</u>	<u>\$ 15,462,036</u>
Business-Type Activities				
Furniture and Equipment	\$ 303,847	\$ 56,277	\$ 0	\$ 360,124
Less Accumulated Depreciation	<u>(173,730)</u>	<u>(18,223)</u>	<u>0</u>	<u>(191,953)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 130,117</u>	<u>\$ 38,054</u>	<u>\$ 0</u>	<u>\$ 168,171</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 313,659
Support Services:	
Board of Education	3,123
Administration	30,411
Fiscal	2,982
Operation and Maintenance of Plant	118,103
Pupil Transportation	254,992
Operation of Non-Instructional Services	
Food Services	14,709
Extracurricular Activities	90,462
Total Depreciation Expense	<u>\$ 828,441</u>

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 9: LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2007 were as follows:

	Restated Balance 06/30/06	<u>Additions</u>	<u>Deductions</u>	Balance 06/30/07	Amounts Due in One Year
<u>Governmental Activities</u>					
General Obligation Bonds					
2005 - 5.33%	\$ 507,657	\$ 0	\$ (35,122)	\$ 472,535	\$ 36,994
School Improvement Bonds					
2003 - 3.05%	6,435,000	0	(650,000)	5,785,000	401,829
Long-term Promissory Note -					
2005 - 0%	500,000	0	(500,000)	0	0
Accretion on Bonds	294,236	121,724	0	415,960	0
Deferred Charges on					
Refunding Bonds	101,258	0	(10,126)	91,132	0
Retirement Payout Liability	0	24,811	0	24,811	24,811
Capital Lease Payable	0	181,200	(63,714)	117,486	57,146
Compensated Absences	<u>990,028</u>	<u>345,632</u>	<u>(360,158)</u>	<u>975,502</u>	<u>354,888</u>
Total Governmental Long-Term Liabilities	<u>\$8,828,179</u>	<u>\$ 673,367</u>	<u>\$(1,619,120)</u>	<u>\$ 7,882,426</u>	<u>\$ 875,668</u>

All bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a .75 mill bonded debt tax levy. Compensated absences and retirement payout will be paid from the fund from which the employees' salaries are paid. The capital lease will be paid from the general fund. See Note 11 for more detail.

Principal and interest requirements to retire bonds outstanding at June 30, 2007 are as follows:

Fiscal Year Ending June 30	<u>General Obligation Bonds</u>		<u>School Improvement Bonds</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 36,994	\$ 25,186	\$ 401,829	\$ 413,671	\$ 438,823	\$ 438,857
2009	38,966	23,214	363,165	457,335	402,131	480,549
2010	41,042	21,137	660,000	152,745	701,042	173,882
2011	43,230	18,950	675,000	136,046	718,230	154,996
2012	45,534	16,646	690,000	116,752	735,534	133,398
2013-2016	<u>266,769</u>	<u>34,851</u>	<u>2,995,006</u>	<u>231,353</u>	<u>3,261,775</u>	<u>266,204</u>
Totals	<u>\$ 472,535</u>	<u>\$ 139,984</u>	<u>\$ 5,785,000</u>	<u>\$ 1,507,902</u>	<u>\$ 6,257,535</u>	<u>\$ 1,647,886</u>

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (CONTINUED)**

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

Defeased Debt

In prior years, the District issued \$7,730,000 in voted general obligation school improvement refunding bonds for the purpose of renovating, remodeling, rehabilitating, improving, furnishing, and equipping school facilities by providing a portion of the funds necessary to refund outstanding 1993 general obligation bonds of the District issued for that purpose and authorizing an escrow agreement for that refunding. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. As of June 30, 2007, the amount of defeased debt outstanding but removed from the financial statements amounted to \$5,785,000.

NOTE 10: **TAX ANTICIPATION NOTES**

During 2001, the voters passed a five year 1.89 mill permanent improvement levy. Tax anticipation notes were issued in February 2002 for \$3,250,000 maturing \$650,000 per year through December 2006, with an average interest rate of 3.588 percent. Balance outstanding at June 30, 2007 was \$0.

NOTE 11: **CAPITAL LEASE OBLIGATION**

The District's Dell computers are under lease, which began in November 2006 and ends in 2008. Per the lease agreement, total principal and interest expense is \$181,200 and \$9,941, respectively.

The future minimum lease payments required under capital leases are as follows:

Year Ending	
<u>June 30</u>	
2007	\$ 63,714
2008	<u>63,713</u>
Minimum Lease Payments	127,427
Less: Amount Representing Interest	<u>(9,941)</u>
Present Value of Net Lease Payments	<u>\$ 117,486</u>

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (CONTINUED)**

NOTE 12: COMPENSATED ABSENCES

The criteria for determining vacation, personal, and sick leave benefits are derived from negotiated agreements and State laws. In summary the components of vesting are as follows:

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not eligible	Per contract	1-9 days for each month worked for less than 1 year of service; 10-25 days depending on length of service after 1 year of service.
Maximum Accumulation	Not applicable	60 days	10 days
Vested	Not applicable	As earned	As earned
Termination Entitlement	Not applicable	Paid upon termination	Paid upon termination
 <u>Sick Leave</u>			
How earned	1-1/4 days per month employment (15 days per year)	1-1/4 days per month employment (15 days per year)	1-1/4 days per month of employment (15 days per year)
Maximum Accumulation	285 days	285 days	215 days
Vested	As earned	As earned	As earned
Termination Entitlement	1/4 of accumulated sick leave up to 60 days	1/4 of accumulated sick leave up to 60 days	1/4 of accumulated sick leave up to 53.75 days

NOTE 13: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. 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.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **School Employees Retirement System** (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 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. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$629,163, \$589,709, and \$655,835, respectively; 46 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005.

B. **State Teachers Retirement System**

The District contributes to 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 issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. **State Teachers Retirement System** (Continued)

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 of 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 are required to contribute 10 percent of their annual covered salaries. The District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, 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.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$2,193,638, \$2,146,425, and \$2,190,939. 84 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

NOTE 14: **POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated 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.

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 14: **POSTEMPLOYMENT BENEFITS** (Continued)

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 Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$168,741 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization fund. At June 30, 2006 (the latest information available), the balance in the fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs by STRS were \$282,743,000 and STRS had 119,184 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, compared to 3.42 percent of covered payroll for 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 has been established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$285,939.

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 at June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (CONTINUED)**

NOTE 15: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2007, the District contracted with Indiana Insurance for property and general liability insurance. There is a \$5,000 deductible with a 90 percent co-insurance limit of \$78,920,535.

Commercial umbrella liability is protected by Indiana Insurance Company with a \$2,000,000 single and \$3,000,000 aggregate occurrence limit with a \$10,000 deductible. Vehicles are also covered by Indiana Insurance Company and have a \$250 deductible for comprehensive collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage any of the past three years.

Lake County Council of Governments Health Care Benefits Program (HDBP) Self Insurance Program

The District participates in Lake County Council of Governments Health Care Benefits Program (HDBP) Self Insurance Program, a claim servicing pool. The Plan's business and affairs are conducted by a five member Board of Directors elected from the HDBP assembly. All participating members retain their risk and the Plan acts as the claims servicing agent.

The June 30, 2007 claims liability and cash with fiscal agent are determined based on the percentage of the District's participants to total pool participants. For the year ended June 30, 2007, the pool's cash reserves and claims liability were \$5,832,029 and \$2,983,089, respectively. The District's allocated pool percentage for the year ended June 30, 2007 was 18.5 percent, which represents \$1,078,282 and \$560,640 of pool cash reserves and claims liabilities, respectively.

	<u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
June 30, 2005	\$ 420,189	\$ 3,492,078	\$ 3,372,124	\$ 540,143
June 30, 2006	\$ 540,143	\$ 3,544,969	\$ 3,673,968	\$ 411,144
June 30, 2007	\$ 411,144	\$ 4,238,277	\$ 4,088,781	\$ 560,640

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 16: JOINTLY GOVERNED ORGANIZATION

The Lake Geauga Computer Association (LGCA) is a jointly governed organization among two county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LGCA based upon a per pupil charge. The District contributed \$154,668 to LGCA during fiscal year 2007. LGCA is governed by an Assembly consisting of two representatives from each participating school district. The degree of control exercised by any participating school district is limited to its representation to the Assembly. Financial information can be obtained by contacting the Treasurer at the Geauga County Educational Service Center, who serves as the fiscal agent, at 470 Center Street, Chardon, Ohio 44024.

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. This jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council also sponsors a workers' compensation group rating plan which is an insurance purchasing pool. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating school districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2007, the District paid \$2,493 to the Council. Financial information can be obtained by contacting David Cottrell, Executive Secretary, at the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The District participates in the Council's electric purchasing program, which was implemented in 2005. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for a three-year period. The participants make monthly payments based upon estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$246 million in debt to prepurchase three years of electricity from Cleveland Electric Illuminating, Ohio Edison, and Toledo Edison for the participants. The participating school districts are not obligated in any manner for this debt.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(CONTINUED)**

NOTE 17: **CONTINGENCIES**

A. **Grants**

The District received financial assistance from federal, state, and local agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

B. **Litigation**

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

C. **Property Tax Refunds**

On November 6, 1998, the Ohio Board of Tax Appeals issued its decision in the case of Duquesne Light Company, an electric utility and part owner of the Perry Nuclear Power Plant. The decision ordered personal property refunds based on reductions in taxable value of about \$145,000 million. The decision was immediately appealed to the Ohio Supreme Court.

The implications raised by Duquesne are far reaching and can result in refund claims for 1998-1993 and additional claims being filed by other electric companies and other utilities. As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on tax revenue or possible payments of tax refunds.

NOTE 18: **STATE SCHOOL FUNDING DECISION**

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (CONTINUED)**

NOTE 19: INTERFUND TRANSACTIONS

As of June 30, 2007, interfund transfers were as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
General Fund	\$ 19,500	\$ 248,046
Nonmajor Governmental Funds	899,032	670,486
Totals	\$ 918,532	\$ 918,532

Transfers of \$562,180, representing property tax levy funds coming into the District, were made from the permanent improvement levy fund to various nonmajor governmental funds.

All other transfers were made to provide additional resources for current operations. Transfers of \$918,532 were eliminated since they were within the governmental-type activity.

As of June 30, 2007, Internal balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue - Entry Year Program	\$ 750
Food Service	General Fund	19,536
		\$ 20,286

The amounts payable to the general fund relate to working capital loans made to the Entry Year Program fund until funds are received. The general fund payable of \$19,536 to the food service fund for interest income is to be paid in the subsequent year.

NOTE 20: SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside in the general fund an amount on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. At June 30, 2007, only the unspent portion of certain workers' compensation refunds and the District's past required contributions continue to be a set-aside.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (CONTINUED)**

NOTE 20: **SET ASIDE REQUIREMENTS** (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of June 30, 2006	\$ (1,398,505)	\$ 0	\$ 585,565
Current Year Set-Aside Requirements	696,882	696,882	0
Qualifying Disbursements	<u>(944,704)</u>	<u>(2,038,262)</u>	<u>0</u>
Total	<u>\$ (1,646,327)</u>	<u>\$ (1,341,380)</u>	<u>\$ 585,565</u>
Set-Aside Balances Carried Forward to Future Years	<u>\$ (1,646,327)</u>	<u>\$ 0</u>	<u>\$ 585,565</u>
Set-Aside Reserve Balance as of June 30, 2007	<u>\$ (1,646,327)</u>	<u>\$ 0</u>	<u>\$ 585,565</u>

The District had qualifying expenditures during the fiscal year that reduced the textbooks set-aside amount below zero. This amount may be used to reduce the set-aside requirements of future years. Although the District had qualifying disbursements during the year that reduced the capital improvements set-aside amount below zero, these extra amounts may not be used to reduce the set-aside requirement in future years.

NOTE 21: **OSBA WORKERS' COMPENSATION GROUP RATING PROGRAM**

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (CONTINUED)**

NOTE 22: **COMPLIANCE AND ACCOUNTABILITY**

A. Legal Compliance

Appropriations Exceeding Expenditures

Section 5705.41 (B), Ohio Revised Code, states... “no subdivision shall make any expenditure of money unless it has been appropriated”. Section 5704.41 (D), Ohio Revised Code, states in part that... “encumbrances should be charged against proper appropriations and actual disbursements plus outstanding encumbrances should not be greater than the total appropriations”. The following funds had expenditures in excess of appropriations as of March 31, 2007:

<u>Special Revenue Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
IDEA Preschool Grant	\$ 38,654	\$ 91,680	\$ (53,026)
Miscellaneous Federal Grants	3,269	19,887	(16,618)

B. Fund Deficits

The following funds had deficit fund balances or deficit net assets as of June 30, 2007:

<u>Special Revenue Funds</u>	
Entry Year Programs	\$ 750
Title I	25,258
IDEA Preschool Grant	6,072
Improving Teacher Quality	6,454
 <u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	92,838

The deficits in Title I, IDEA Preschool Grant, Improving Teacher Quality, and Employee Benefits Self-Insurance funds resulted from recognition of accrued liabilities. The general fund is responsible to cover deficit fund balances by means of a transfer. However, this is done when cash is needed rather when accruals occur.

The deficit in the Entry Year Programs fund resulted from a transfer to the general fund to reimburse an original advance to the fund.

**RIVERSIDE LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Cash Receipts	Cash Disbursements
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education				
Food Distribution Program	10.550	Not Available	\$ 62,431	\$ 62,431
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	047894-05-PU	93,520	93,520
School Lunch Program	10.555	047894-LLP4	294,796	294,796
<i>Total Child Nutrition Cluster</i>			<u>388,316</u>	<u>388,316</u>
Total U.S. Department of Agriculture			<u>450,747</u>	<u>450,747</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through Ohio Department of MR/DD				
Community Alternative Funding System	93.778	Not Available	5,036	5,036
Total U.S. Department of Health and Human Services			<u>5,036</u>	<u>5,036</u>
<u>U.S. Department of Education</u>				
Passed through State Department of Education				
Title I School Subsidy	84.010	047894-C1-S1-2007	299,045	299,045
<i>Special Education Cluster</i>				
SE-IDEA Part B FY 06	84.027	047894-6BSF-2006-P	(83,310)	75,830
SE-IDEA Part B FY 07	84.027	047894-6BSF-2007-P	835,399	765,828
			<u>752,089</u>	<u>841,658</u>
Early Childhood SE IDEA FY 07	84.173	047894-PGS1-2007-P	29,653	29,653
<i>Total Special Education Cluster</i>			<u>781,742</u>	<u>871,311</u>
Title IV-A Safe/Drug Free	84.186	047894-DR-S1-2007	12,178	12,178
Title V FY06	84.298	047894-C2S1-2006	(863)	916
Title V FY07	84.298	047894-C2S1-2007	7,385	6,409
			<u>6,522</u>	<u>7,325</u>
Title II-D Technology FY06	84.318	047894-TJS1-2006	(158)	0
Title II-D Technology FY07	84.318	047894-TJS1-2007	2,978	2,622
			<u>2,820</u>	<u>2,622</u>
Title II-A FY06	84.367	047894-TRS1-2006	7,190	12,927
Title II-A FY07	84.367	047894-TRS1-2007	119,223	109,881
Title II-A FY08	84.367	047894-TRS1-2008	0	995
			<u>126,413</u>	<u>123,803</u>
Hurricane Education Recovery	84.938	047894-HR01-2006	19,500	19,500
Total U.S. Department of Education			<u>1,248,220</u>	<u>1,335,784</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$1,704,003</u>	<u>\$ 1,791,567</u>

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards - Cash

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS - CASH
JUNE 30, 2007**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards - Cash includes the federal grant activity of Riverside Local School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2: NONCASH SUPPORT

The District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.550. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

NOTE 3: NEGATIVE CASH RECEIPTS

The negative cash receipt amounts represent carryover of funds to the subsequent fiscal year which were approved by the respective funding source.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Education
Riverside Local School District
Painesville Township, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Ohio, as of and for the year ended June 30, 2007, which collectively comprise the Riverside Local School District, Ohio's basic financial statements and have issued our report thereon dated December 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Riverside Local School District, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Riverside Local School District, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Riverside Local School District, Ohio'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 the normal course of 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 Riverside Local School District, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Riverside Local School District, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Riverside Local School District, Ohio's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting: **Item 2007-1.**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Riverside Local School District, Ohio's internal control.

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 deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Riverside Local School District, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are discussed in the accompanying Schedule of Findings and Questioned Costs as **Item 2007-2**.

Riverside Local School District, Ohio's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Riverside Local School District, Ohio's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to the management of the Riverside Local School District, Ohio, in a separate letter dated December 4, 2007.

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 4, 2007

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Education
Riverside Local School District
Painesville Township, Ohio

Compliance

We have audited the compliance of Riverside Local School District, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Riverside Local School District, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Riverside Local School District, Ohio's management. Our responsibility is to express an opinion on the Riverside Local School District, Ohio's compliance based on our audit.

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

In our opinion, the Riverside Local School District, Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Riverside Local School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Riverside Local School District, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Riverside Local School District, Ohio's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 4, 2007

**RIVERSIDE LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

2007(i)	Type of Financial Statement Opinion	Unqualified
2007(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2007(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2007(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2007(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2007(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2007(v)	Type of Major Program's Compliance Opinion	Unqualified
2007(vi)	Are there any reportable findings under .510?	No
2007(vii)	Major Programs (list):	
	Special Education-IDEA, Part B	CFDA #84.027 and 84.173
2007(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2007(ix)	Low Risk Auditee?	Yes

**RIVERSIDE LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2007
(CONTINUED)**

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

Item 2007-1: Accretion on Refunding Bonds

Condition/Criteria

In 2006, it was noted that the District had not recorded accretion on refunding bonds in the financial statements.

Effect

Accretion on refunding bonds was understated in the 2006 financial statements.

Cause

The District did not record accretion on refunding bonds as noted in the debt agreement.

Recommendation

We recommend that the District record accretion on refunding bonds to properly reflect the District's liability at year-end.

Corrective Action Plan

The District recorded the accretion interest expense on the 2007 financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2007
(CONTINUED)**

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

Item 2007-2: Expenditures Exceeding Appropriations

Condition and Criteria

Ohio Revised Code Section 5705.41(B) prohibits a school from expending money unless it has been appropriated.

The following funds had expenditures exceeding appropriations for the fiscal year ending June 30, 2007:

	<u>Final</u>	<u>Total</u>	<u>Variance</u>
	<u>Appropriation</u>	<u>Expenditures</u>	
Special Revenue Funds:			
IDEA Preschool Grant	\$ 38,654	\$ 91,680	\$ (53,026)
Miscellaneous Federal Grants	3,269	19,887	(16,618)

Effect

The District did not comply with Ohio Revised Code Section 5705.41(B).

Cause

For the funds noted above, expenditures exceeded appropriations for the fiscal year ending June 30, 2007.

Recommendation

We recommend that the District not expend monies unless it has been appropriated, per Ohio Revised Code Section 5705.41(B).

Corrective Action Plan

The District will monitor appropriations and expenditures closely to ensure there are no further violations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**RIVERSIDE TOWNSHIP LOCAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

The prior audit report, as of June 30, 2006, included no reportable conditions, citations, or management letter recommendations.



Mary Taylor, CPA
Auditor of State

RIVERSIDE LOCAL SCHOOL DISTRICT

LAKE 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 7, 2008**