



**Auditor of State
Betty Montgomery**

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Riverside Local School District, Logan County, (the "District"), as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

Because of the inadequacy of accounting records, we were unable to obtain sufficient evidence regarding the amounts at which fixed assets were reported in the General Fixed Assets Account Group and Enterprise Fund in the accompanying combined balance sheet dated at June 30, 2003 (stated at \$4,694,680 and \$0 respectively), or the amount of depreciation expense recorded in the Enterprise Fund for the year then ended (stated at \$0). We were unable to satisfy ourselves regarding the fixed asset amounts by performing other auditing procedures.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding fixed asset amounts and related depreciation, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Riverside Local School District, Logan County, as of June 30, 2003, and the results of its operations and the cash flows of its Proprietary Fund Type and Nonexpendable Trust Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Betty Montgomery
Auditor of State

December 1, 2003

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**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,444,241	\$105,974	\$76,150	\$1,039,992
Investments				
Receivables:				
Property Taxes	1,152,278	19,997	224,656	72,449
Income Taxes	127,547			
Accounts	15,450	382		
Intergovernmental	278	3,430		
Accrued Interest	2,913			1,173
Materials and Supplies Inventory	4,572			
Restricted Assets:				
Cash and Cash Equivalents with Escrow Agent				80,272
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>3,747,279</u>	<u>129,783</u>	<u>300,806</u>	<u>1,193,886</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	30,140	1,580		208
Contracts Payable	82,160			
Accrued Wages and Benefits	466,489	21,527		
Compensated Absences Payable	8,957			
Intergovernmental Payable	79,655			
Deferred Revenue	1,068,396	23,427	207,187	66,587
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>1,735,797</u>	<u>46,534</u>	<u>207,187</u>	<u>66,795</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings				
Fund Balance:				
Reserved for Property Taxes	83,882		17,469	5,862
Reserved for Debt Service Principal			76,150	
Reserved for Inventory	4,572			
Reserved for Encumbrances	235,883	15,870		83,252
Reserved for Contributions				
Unreserved	1,687,145	67,379		1,037,977
Total Fund Equity and Other Credits	<u>2,011,482</u>	<u>83,249</u>	<u>93,619</u>	<u>1,127,091</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$3,747,279</u>	<u>\$129,783</u>	<u>\$300,806</u>	<u>\$1,193,886</u>

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$14,338	\$58,845 27,920			\$3,739,540 27,920
				1,469,380
				127,547
	184			16,016
7,554				11,262
				4,086
3,524				8,096
				80,272
		4,694,680		4,694,680
			93,619	93,619
			3,104,390	3,104,390
<u>25,416</u>	<u>86,949</u>	<u>4,694,680</u>	<u>3,198,009</u>	<u>13,376,808</u>
147	5,230			37,305
				82,160
19,320				507,336
7,105			432,047	448,109
15,790			38,717	134,162
				1,365,597
	50,308			50,308
			2,727,245	2,727,245
<u>42,362</u>	<u>55,538</u>		<u>3,198,009</u>	<u>5,352,222</u>
		4,694,680		4,694,680
(16,946)				(16,946)
				107,213
				76,150
				4,572
	60			335,065
	20,000			20,000
	11,351			2,803,852
<u>(16,946)</u>	<u>31,411</u>	<u>4,694,680</u>		<u>8,024,586</u>
<u>\$25,416</u>	<u>\$86,949</u>	<u>\$4,694,680</u>	<u>\$3,198,009</u>	<u>\$13,376,808</u>

RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property & Other Local Taxes	\$1,076,930	\$20,278	\$201,200	\$74,349		\$1,372,757
Income Tax	400,099					400,099
Tuition and Fees	22,780					22,780
Earnings on Investments	77,373			26,870		104,243
Extracurricular		67,304			570	67,874
Rent	1,666					1,666
Gifts and Donations	10,609	12,264			5,365	28,238
Miscellaneous	28,186	9,592				37,778
Intergovernmental	3,666,889	230,331	24,495	20,936		3,942,651
Total Revenues	5,284,532	339,769	225,695	122,155	5,935	5,978,086
Expenditures:						
Current:						
Instruction:						
Regular	2,901,889	69,820		40,511		3,012,220
Special	458,287	154,067				612,354
Vocational	138,886					138,886
Support services:						
Pupil	151,997					151,997
Instructional Staff	208,223	7,311				215,534
Board of Education	8,207					8,207
Administration	495,622	9,290				504,912
Fiscal	145,869	1,071	4,252	1,629		152,821
Business		26,115				26,115
Operation and Maintenance of Plant	527,756	81,754				609,510
Pupil Transportation	307,482					307,482
Central	461				7,821	8,282
Non-instructional Services	230				2,050	2,280
Extracurricular activities	95,667	63,246				158,913
Capital Outlay	374,889			2,511,022		2,885,911
Debt Service:						
Principal Retirement			100,000			100,000
Interest Charges			145,892			145,892
Total Expenditures	5,815,465	412,674	250,144	2,553,162	9,871	9,041,316
Total Revenues (Under) Expenditures	(530,933)	(72,905)	(24,449)	(2,431,007)	(3,936)	(3,063,230)
Other Financing Sources						
Proceeds from Sale of Fixed Assets	24,265					24,265
Revenues and Other Financing Sources (Under) Expenditures	(506,668)	(72,905)	(24,449)	(2,431,007)	(3,936)	(3,038,965)
Fund Balances at Beginning of Year	2,518,150	156,154	118,068	3,558,098	7,427	6,357,897
Fund Balances at End of Year	\$2,011,482	\$83,249	\$93,619	\$1,127,091	\$3,491	\$3,318,932

The notes to the general purpose financial statements are an integral part of this statement.

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RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types					
	General			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property & Other Local Taxes	\$1,052,679	\$1,052,679		\$20,278	\$20,278	
Income Tax	447,028	447,028				
Tuition and Fees	19,135	16,096	(3,039)			
Earnings on Investments	110,000	79,366	(30,634)			
Extracurricular				75,259	67,815	(7,444)
Rent	1,466	1,466				
Gifts and Donations	10,609	10,609		12,264	12,264	
Miscellaneous	14,000	4,066	(\$9,934)	9,633	8,285	(1,348)
Intergovernmental	3,800,814	3,666,611	(134,203)	233,082	233,082	
Total Revenues	5,455,731	5,277,921	(177,810)	350,516	341,724	(8,792)
Expenditures:						
Current:						
Instruction:						
Regular	2,927,971	2,982,336	(54,365)	94,213	66,819	27,394
Special	460,186	464,704	(4,518)	176,855	158,954	17,901
Vocational	141,587	135,131	6,456			
Support services:						
Pupil	149,842	145,341	4,501			
Instructional Staff	216,023	207,419	8,604	8,967	7,636	1,331
Board of Education	9,600	8,207	1,393			
Administration	441,007	472,545	(31,538)	10,848	9,290	1,558
Fiscal	171,115	145,361	25,754	800	1,071	(271)
Business				27,169	26,602	567
Operation and Maintenance of Plant	630,745	557,269	73,476	82,900	82,714	186
Pupil Transportation	322,672	415,917	(93,245)			
Central	500	461	39			
Noninstructional Services						
Extracurricular activities	97,009	95,519	1,490	79,854	76,844	3,010
Capital Outlay	465,726	400,226	65,500			
Debt Service:						
Principal Retirement						
Interest Charges						
Total Expenditures	6,033,983	6,030,436	3,547	481,606	429,930	51,676
Excess of Revenues Over (Under) Expenditures	(578,252)	(752,515)	(174,263)	(131,090)	(88,206)	42,884
Other Financing Sources and Uses						
Proceeds from Sale of Fixed Assets	100,229	100,229				
Refund of Prior Year Expenditures	16,554	16,554		1,007	1,007	
Refund of Prior Year Receipts	(2,500)	(1,000)	1,500			
Other Financing Sources	(160,000)		160,000			
Total Other Financing Sources (Uses)	(45,717)	115,783	161,500	1,007	1,007	
Excess of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(623,969)	(636,732)	(12,763)	(130,083)	(87,199)	42,884
Fund Balance at Beginning of Year	2,433,536	2,433,536		143,794	143,794	
Prior Year Encumbrances Appropriated	314,512	314,512		32,179	32,179	
Fund Balance at end of Year	\$2,124,079	\$2,111,316	(\$12,763)	\$45,890	\$88,774	\$42,884

The notes to the general purpose financial statements are an integral part of this statement.

Governmental Fund Types						Fiduciary Fund Type		
Debt Service			Capital Projects			Expendable Trust		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$198,321	\$196,210	(\$2,111)	\$72,962	\$72,962				
2,300		(\$2,300)	102,000	33,242	(68,758)	\$386	\$386	
						8,539	\$7,685	(854)
24,495	24,495		20,936	20,936				
225,116	220,705	(4,411)	195,898	127,140	(68,758)	8,925	8,071	(854)
			44,379	40,511	3,868			
6,000	4,252	1,748	1,800	1,629	171			
						8,866	8,604	262
						4,150	2,050	2,100
			3,709,382	3,643,688	65,694			
100,000	100,000							
145,892	145,892							
251,892	250,144	1,748	3,755,561	3,685,828	69,733	13,016	10,654	2,362
(26,776)	(29,439)	(2,663)	(3,559,663)	(3,558,688)	975	(4,091)	(2,583)	1,508
(26,776)	(29,439)	(2,663)	(3,559,663)	(3,558,688)	975	(4,091)	(2,583)	1,508
105,589	105,589		1,413,670	1,413,670		4,820	4,820	
			3,181,723	3,181,723		1,010	1,010	
\$78,813	\$76,150	(\$2,663)	\$1,035,730	\$1,036,705	\$975	\$1,739	\$3,247	\$1,508

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
PROPRIETARY FUND AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
Operating Revenues:			
Sales	\$218,818		\$218,818
Interest		476	
Total Operating Revenues	<u>218,818</u>	<u>476</u>	<u>219,294</u>
Operating Expenses			
Salaries	98,988		98,988
Fringe Benefits	64,287		64,287
Purchased Services	2,770		2,770
Materials and Supplies	135,173		135,173
Other		3,000	3,000
Total Operating Expenses	<u>301,218</u>	<u>3,000</u>	<u>304,218</u>
Operating(Loss)	(82,400)	(2,524)	(84,924)
Non-Operating Revenues			
Interest Revenue	142		142
Federal and State Subsidies	59,550		59,550
Federal Donated Commodities	18,152		18,152
Total Non-Operating Revenues	<u>77,844</u>		<u>77,844</u>
Net Loss	(4,556)	(2,524)	(7,080)
Retained Earnings/Fund Balance at Beginning of Year	<u>(12,390)</u>	<u>30,444</u>	<u>18,054</u>
Retained Earnings/Fund Balance at End of Year (accumulated deficit)	<u>(\$16,946)</u>	<u>\$27,920</u>	<u>\$10,974</u>

Non-Cash Transactions

During fiscal year 2003, the District received donated commodities, in the amount of \$18,152

The notes to the general purpose financial statements are an integral part of this statement.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
Increase(Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$218,818		\$218,818
Cash Received from Principal		\$667	667
Cash Payments for Goods and Services	(114,920)		(114,920)
Cash Payments for Contract Services	(2,770)		(2,770)
Cash Payments for Employee Services	(96,138)		(96,138)
Cash Payments for Employee Benefits	(56,234)		(56,234)
Other Cash Payments	(500)	(3,000)	(3,500)
Net Cash Provided (Used) by Operating Activities	<u>(51,744)</u>	<u>(2,333)</u>	<u>(54,077)</u>
Cash Flows from Noncapital Financing Activities:			
Cash from Federal & State Subsidies	57,950		57,950
Cash Flows from Investing Activities:			
Interest Received	142		142
Net Increase (Decrease) in Cash and Cash Equivalents	6,348	(2,333)	4,015
Cash and Cash Equivalents at Beginning of Year	7,990	30,253	38,243
Cash and Cash Equivalents at End of Year	<u>14,338</u>	<u>27,920</u>	<u>42,258</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(82,400)	(2,524)	(84,924)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Federal Donated Commodities Used During the Year	18,152		18,152
(Increase) Decrease in Assets:			
Interest Receivable		191	191
Materials and Supplies Inventory	2,101		2,101
(Increase) Decrease in Liabilities:			
Compensated Absences Payable	2,724		2,724
Intergovernmental Payable	4,506		4,506
Accrued Wages and Benefits	3,673		3,673
Accounts Payable	(500)		(500)
Total Adjustments	<u>30,656</u>	<u>191</u>	<u>30,847</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$51,744)</u>	<u>(\$2,333)</u>	<u>(\$54,077)</u>
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2003:			
Cash and Cash Equivalents - Trust and Agency Funds			\$58,845
Investments - Trust and Agency Funds			27,920
Less: Expendable Trust Funds			(3,307)
Less: Agency Funds			(55,538)
Cash and Cash Equivalents - Nonexpendable Trust Funds			<u>\$27,920</u>

The notes to the general purpose financial statements are an integral part of this statement.

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**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Riverside Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established in 1960 through the consolidation of existing land areas and school districts. The District serves an area of approximately 62 square miles. It is located in Logan County, and includes the Villages of DeGraff and Quincy, the Townships of Miami and Pleasant, and portions of Harrison and Union Townships. The District is the 544th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 35 non-certificated employees, 60 certificated full-time teaching personnel who provide services to 803 students and other community members. The District currently operates one instructional building.

A. Reporting Entity

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

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

The District is associated with four jointly governed organizations and two insurance purchasing pools. These organizations include the Western Ohio Computer Organization, the Ohio Hi-Point Joint Vocational School District, the West Central Ohio Special Education Regional Resource Center, the Logan County Education Foundation, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Logan County Schools Benefit Plan Association. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types:

Proprietary funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. The following is the District's proprietary fund type:

Enterprise Funds

Enterprise Funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary and nonexpendable fund types are accounted for using 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. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust funds, and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized on a modified accrual basis in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the fiscal 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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 primary level of budgetary control is at the fund, function, level for the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed 5-year forecast. The forecast 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 forecast is filed with the Logan County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, 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 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 in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003 in effect at the time final appropriations were adopted by the Board.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level for all funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation 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, or alter total function appropriations within the General Fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations.

4. 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. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

5. Lapsing of Appropriations

At the close of each fiscal 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.

D. Cash and Cash Equivalents

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

During fiscal year 2003, investments were limited to certificates of deposit and STAR Ohio, which are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$77,373, which includes \$6,190 assigned from other District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. Inventory

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 fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand two hundred dollars (\$1,200). The District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

State Property Tax Relief

Special Revenue Fund

State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems

Network Connectivity

School Net Professional Development

Ohio Reads

Summer School Intervention

School Improvement Incentive

Eisenhower Math and Science

Title VI-B

Title I

Title VI

Drug Free Schools

Title 11A

Raising the Bar

Capital Projects Funds

School Net

Technology Equity

School Facilities

Reimbursable Grants

General Fund

Bus Purchase Allowance

Vocational Education Reimbursement

Proprietary Funds

National School Lunch Program

Government Donated Commodities

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and entitlements amounted to approximately sixty-three percent of the District's operating revenue during the 2003 fiscal year.

H. 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. 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.

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for employees after 10 years of current service with the District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Long-term bonds are reported as a liability of the general long-term obligations account group until due. Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise funds.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance Reserves and Designations

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

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

L. Estimates

The preparation of the 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 could differ from those estimates.

M. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2003, the Title I and Food Service Funds had deficit fund balances of \$928 and \$21,737, which were created by the application of generally accepted accounting principles.

B. Compliance

Expenditures exceeded appropriations in various funds throughout the year which violated the requirements of Ohio Rev. Section 5705.41(B).

4. BUDGETARY BASIS OF ACCOUNTING

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund and Similar Fiduciary Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis)
- C. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for all governmental fund types (GAAP basis)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental and Similar Fiduciary Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	(\$636,731)	(\$87,199)	(\$29,439)	(\$3,558,688)	(\$2,583)
Adjustments:					
Revenue Accruals	(17,509)	(3,261)	4,990	(4,985)	(2,136)
Expenditure Accruals	(117,955)	55		1,049,207	723
Other Financing Sources/(Uses)	(67,398)	300			
Encumbrances	<u>332,925</u>	<u>17,200</u>	<u>0</u>	<u>83,459</u>	<u>60</u>
GAAP Basis	<u>(\$506,668)</u>	<u>(\$72,905)</u>	<u>(\$24,449)</u>	<u>(\$2,431,007)</u>	<u>(\$3,936)</u>

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.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and

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

At fiscal year end, the District had \$150 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".

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$3,057,101, including \$80,272 maintained in an escrow agent, and the bank balance was \$3,116,511. Of the bank balance, \$200,000 covered by federal depository insurance and \$2,916,511 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments, which are held by the counter-party's, trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Market Value
Star Ohio	\$790,481	\$790,481

A reconciliation between classifications of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Pooled Cash and Cash Equivalents	Investments
Combined Balance Sheet	\$ 3,819,812	\$27,920
Cash on Hand	(150)	
Certificate of Deposit	27,920	(27,920)
STAR Ohio	(790,481)	790,481
GASB Statement 3	\$ 3,057,101	\$790,481

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 property (used in business) located in the district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due in January with the remainder payable in July. Under certain circumstances, State statute permits alternate payment dates to be established.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Logan and Shelby County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$83,882 in the General Fund, \$17,469 in the Debt Service Fund, and \$5,862 in the Capital Projects Fund. The amount available as an advance at June 30, 2002, was \$59,631 in the General Fund, \$ 12,479 in the Debt Service Fund, and \$4,476 in Capital Projects Fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second-Half		2003 First-Half	
	Calendar Year Collections		Calendar Year Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$45,151,030	89%	\$45,958,140	90%
Public Utility Personal	3,308,580	7%	3,303,500	6%
Tangible Personal Property	<u>2,078,057</u>	<u>4%</u>	<u>2,076,190</u>	<u>4%</u>
Total Assessed Value	<u>\$50,537,667</u>	100%	<u>\$51,337,830</u>	100%
Tax rate per \$1,000 of assessed valuation:	\$54.90		\$54.30	

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

7. INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, and will continue for 5 years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

8. RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, intergovernmental, accrued interest, income tax, and accounts receivable (rent, billings for user charged services, and student fees). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes	\$1,152,278
Accounts	15,450
Intergovernmental	278
Accrued Interest	2,913
Income Tax	127,547
Special Revenue Funds	
Taxes	19,997
Accounts	382
Intergovernmental	3,430
Debt Service Fund	
Taxes	224,656
Capital Projects Funds	
Taxes	72,449
Accrued Interest	1,173
Enterprise Funds	
Intergovernmental	7,554
Agency Funds	
Accounts	184
Total Receivables	\$1,628,291

9. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 6/30/02	Additions	Deletions	Balance at 6/30/03
Land and Improvements	\$304,194			\$304,194
Buildings and Improvements				
Furniture, Fixtures and Equipment	192,600	\$1,584,261		1,776,861
Vehicles	493,963	72,334		566,297
Construction in Progress	1,452,467	594,861		2,047,328
Total General Fixed Assets	\$2,443,224	\$2,251,456		\$4,694,680

The District does not have Enterprise Fund Fixed assets.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 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 a 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, 2003, 2002 and 2001 were \$47,238, \$26,630 and \$25,093, respectively; 88 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$330,772, \$226,131, and \$257,179, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

11. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$25,444.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the District, the amount to fund health care benefits, including the surcharge, was \$36,657 for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit to a maximum of 55 days for all employees.

13. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2003 were as follows:

	<u>Interest Rate</u>	<u>Principal Outstanding 06/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 06/30/00</u>
General Obligation Bonds					
2001 School Facilities Issue					
Serial and Term Bonds	4.6 - 5.75%	\$2,730,000		\$100,000	\$2,630,000
Capital Appreciation Bonds	12.55%	86,109	11,139		97,245
Pension Obligation		28,094	\$10,623		38,717
Compensated Absences		483,943		51,896	432,047
Total Long-Term Obligations		\$3,328,146	\$21,759	\$151,896	\$3,198,009

School Facilities Construction and Improvement General Obligation Bonds - On May 4, 2001, the District issued \$2,881,817 in voted general obligation bonds for the purpose of constructing, renovating, and improving existing school facilities and related site development. The bond issue included serial, term, and capital appreciation bonds in the amount of \$1,130,000, \$1,685,000, and \$66,817, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The Capital Appreciation Bonds will mature in fiscal years 2012 and 2013. The maturity amount of the bonds is \$290,040. For fiscal year 2003, \$11,136 was accreted for a total bond value of \$97,245.

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

Mandatory Sinking Fund Redemption - The Term Bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount To be Redeemed
2013	\$145,000
2014	155,000
2015	165,000
2016	170,000
2017	180,000
2018	190,000
2019	205,000
2020	155,000
2021	165,000

The remaining principal amount of such Current Interest Bonds (\$155,000) will mature at stated maturity on December 1, 2022.

Option Redemption - The Serial Bonds maturing after December 1, 2010 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment due on or after December 1, 2010, at redemption prices equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Redemption Period	Redemption Price
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100%

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

Amortization of the above bond debt, including interest, is scheduled as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Obligation</u>
2004	\$ 100,000	\$141,168	\$ 241,168
2005	105,000	136,272	241,272
2006	110,000	131,085	241,085
2007	115,000	125,600	240,600
2008	120,000	119,812	239,812
2009 – 2013	492,245	738,443	1,230,688
2014 – 2018	815,000	372,169	1,187,169
2019 – 2023	<u>870,000</u>	<u>118,737</u>	<u>988,737</u>
Total	<u>\$2,727,245</u>	<u>\$1,883,286</u>	<u>\$4,610,531</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The District's voted legal debt margin was \$1,893,160 with an unvoted debt margin of \$51,338 at June 30, 2003.

14. ENTERPRISE FUND SEGMENT INFORMATION

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$214,760	\$4,058	\$218,818
Operating Expenses	298,102	3,116	301,218
Operating Income (Loss)	(83,342)	942	(82,400)
Donated Commodities	18,152		18,152
Grants	59,550		59,550
Interest	142		142
Net Income (Loss)	(5,498)	942	(4,556)
Net Working Capital	(21,738)	4,792	(16,946)
Total Assets	20,624	4,792	25,416
Total Liabilities	42,362		42,362
Total Equity	(21,738)	4,792	(16,946)

15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

15. RISK MANAGEMENT (Continued)

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$33,002,000 and a 90 percent coinsurance.

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

The District's liability policy has a limit of \$2,000,000 for each occurrence and \$1,000,000 aggregate.

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

16. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization - The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Shelby, and Miami Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest. WOCO is governed by a board of directors consisting of the superintendents of the member school districts and the degree of control is limited to the representation on the board. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

Ohio Hi-Point Joint Vocational School District - The Ohio Hi-Point Joint Vocational School District is a district political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The Vocational School is governed by a board of education that consists of a representative from each participating school district and its degree of control is limited to its representation on that board. To obtain financial information write to the Ohio Hi-Point Joint Vocational School District, R. Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Central Ohio Special Education Regional Resource Center – The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326.

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

17. INSURANCE PURCHASING POOLS

Ohio School Boards Association 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 a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating 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 Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the Program

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

17. INSURANCE PURCHASING POOLS (Continued)

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

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The requirement to set-aside money for budget stabilization was eliminated by S.B. 345 during fiscal year 2001. The budget stabilization reserve had to be spent according to S.B. 345.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2002	(\$144,557)	\$ 1,520	\$22,802
Current Year Set-aside Requirement	111,901	111,901	
Qualifying Disbursements	<u>(216,778)</u>	<u>(352,977)</u>	<u>(22,802)</u>
Total	(249,434)	(\$239,556)	0
Cash Balance Carried Forward to FY 2004	(249,434)	(\$239,556)	

19. SIGNIFICANT CONTRACTUAL COMMITMENTS

At June 30, 2003, the District had the following significant contractual commitments:

Company	Project	Contract Amount	Remaining Balance
Area Energy & Electric, Inc.	New Building Construction	\$1,259,000	\$230,028
CinFab, Inc.	New Building Construction	1,899,800	8,000
Croson-Teepee LLP	New Building Construction	668,400	1,257
Shook Building Group	New Building Construction	6,515,000	37,962
Star-Ex Inc.	New Building Construction	1,707,135	16,342
Multi-Purpose Building	New Building Construction	<u>268,700</u>	<u>37,792</u>
TOTAL		\$12,318,035	\$331,381

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2003
(Continued)**

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

21. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2003.

B. Litigation

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the Riverside Local School District, Logan County (the "District"), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 1, 2003, wherein we qualified our opinion due to the lack of evidence supporting the General Fixed Assets Account Group and Enterprise Fixed Assets. Except as discussed in the first sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 1, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-003.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do consider the reportable condition described above as item 2003-003 to be a material weakness. We also noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 1, 2003.

This report is intended for the information and use of the audit committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 1, 2003

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2003**

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

FINDING NUMBER 2003-001

Finding for Recovery / Repaid During Audit

Article 25, “Severance Pay”, of the Master Agreement Between the Riverside Local Board of Education and the United Riverside Education Association effective July 1, 2001 through June 30, 2004, the Board authorizes the payment to a retiring employee of one-fourth (1/4) of his/her unused sick days. Upon her retirement, Deeann Beavers had 48.25 unused sick days. One-fourth of 48.25 is 12.063 days, but she was paid for 13 days upon her severance which resulted in an overpayment of \$246.90 ((13 days-12.063 days) x \$263.503 daily rate).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Deeann Beavers, and Treasurer, Marilyn Davis, jointly and severally, in the amount of \$246.90 and in favor of the District’s General Fund.

The finding for recovery was repaid on November 25, 2003 with receipt number 29688.

Monitoring procedures should be implemented to help assure that severance payments are calculated in accordance with the actual leave balances.

FINDING NUMBER 2003-002

NonCompliance

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. During fiscal year 2003, the District had the following violations of this requirement at the fund level, which is its legal level of control.

Fund	Date	Appropriations	Expenditures	Variance
Special Revenue	November 30, 2002	\$41,900	\$70,490	(\$28,590)
Classroom Facility	January 31, 2003	\$41,900	\$68,148	(\$26,248)
Maintenance K-12 Building	April 30, 2003	\$41,900	\$70,450	(\$28,550)
Special Revenue High School General Fund	April 30, 2003	\$9,512	\$15,990	(\$6,478)
Capital Projects	November 30, 2002	\$2,667,816	\$2,998,332	(\$330,516)
Classroom Facilities	January 31, 2003	\$2,667,816	\$2,763,475	(\$95,659)
	April 30, 2003	\$2,667,816	\$2,755,192	(\$87,376)

Monitoring procedure should be implemented by the Board and/or audit committee not only to help assure compliance with this requirement, but to also help prevent deficit spending.

FINDING NUMBER 2003-003

Fixed Asset Records

Fixed asset records should be maintained in a manner that supports additions, deletions, and construction in progress. The District's fixed asset records did not provide the information necessary to support the amounts reported for its fixed assets. As a result, it could not be determined if the fixed asset balances at June 30, 2003 were accurately stated, which resulted in a qualified opinion on the District's financial statements.

The District should perform a physical inventory of all fixed assets. To facilitate the current needs of the District and to help provide the necessary information for the implementation of GASB 34 in subsequent years, the physical inventory should include but not be limited to the following information: specific asset identification (tag number), actual or estimated cost, year of acquisition, useful life, salvage value, location, classification by function that is currently using the asset, classification by major asset class and between depreciable and non-depreciable assets, and accumulated depreciation at the beginning of the year. The accounting transaction records should then be reviewed between the time of the physical inventory and year-end reporting to allow for any necessary adjustments to the reported balances as a result of additions and deletions.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10246-01	Ohio Revised Code Section 5705.41 (D)	Yes	
2002-10246-02	Material Weakness; Fixed Asset Records	No	Not Corrected, repeated as finding 2003-03



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

RIVERSIDE LOCAL SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2004**