



Mary Taylor, CPA
Auditor of State

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Riverside Local School District, Logan County, (the School District), as of and for the fiscal year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Riverside Local School District, Logan County, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison of the General 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 March 29, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

March 29, 2007

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The management's discussion and analysis of the Riverside Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities decreased \$946,705 which represents a 6.65% decrease from 2005.
- General revenues accounted for \$5,092,697 in revenue or 70.45% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,135,905 or 29.55% of total revenues of \$7,228,602.
- The School District had \$8,175,307 in expenses related to governmental activities; \$2,135,905 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,092,697 were not adequate to provide for these programs.
- The School District's only major governmental fund is the general fund. The general fund had \$6,163,228 in revenues and \$6,391,903 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance decreased \$228,675 from \$1,767,010 to \$1,538,335.

Using these Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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

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

The School District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Notes to the Basic Financial Statements

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

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. The table below provides a summary of the School District's net assets for 2006 and 2005.

	Net Assets	
	Governmental Activities 2006	Governmental Activities 2005
Assets		
Current and Other Assets	\$4,619,586	\$4,809,276
Capital Assets	14,117,863	14,799,794
Total Assets	18,737,449	19,609,070
Liabilities		
Current Liabilities	2,425,917	2,374,922
Long-Term Liabilities	3,028,426	3,004,337
Total Liabilities	5,454,343	5,379,259
Net Assets		
Invested in Capital Assets, Net of Related Debt	11,766,046	12,250,769
Restricted	482,022	538,732
Unrestricted	1,035,038	1,440,310
Total Net Assets	\$13,283,106	\$14,229,811

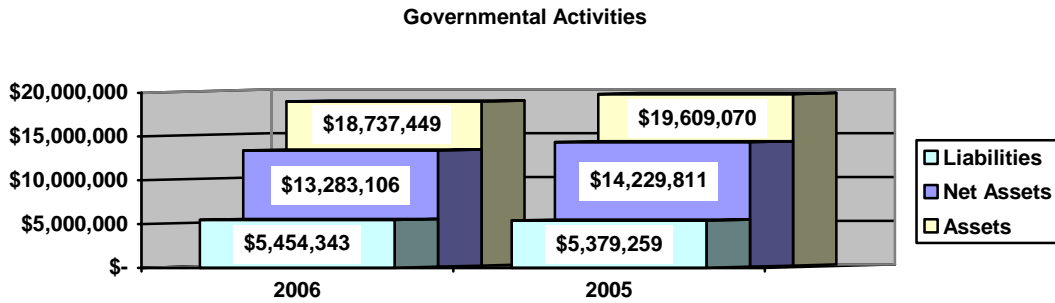
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the School District's assets exceeded liabilities by \$13,283,106. Of this total, \$1,035,038 is unrestricted in use.

At year-end, capital assets represented 75.35% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$11,766,046. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

A portion of the School District's net assets, \$482,022, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,035,038 may be used to meet the School District's ongoing obligations to the students and creditors. The table below illustrates the School District's assets, liabilities and net assets at June 30, 2006 and 2005:



The table below shows the change in net assets for fiscal year 2006 and 2005.

	Change in Net Assets	
	Governmental Activities 2006	Governmental Activities 2005
Revenues		
Program Revenues:		
Charges for Services and Sales	\$879,202	\$873,492
Operating Grants and Contributions	1,249,151	794,061
Capital Grants and Contributions	7,552	7,595
General Revenues:		
Property Taxes	1,402,515	1,372,903
School District Income Tax	472,562	423,752
Grants and Entitlements	3,095,784	3,458,538
Investment Earnings	96,482	65,216
Miscellaneous	25,354	32,810
Total Revenues	7,228,602	7,027,367

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

	Change in Net Assets	
	Governmental Activities 2006	Governmental Activities 2005
Expenses		
Program Expenses:		
Instruction:		
Regular	3,975,443	3,828,668
Special	794,295	650,445
Vocational	184,865	161,948
Support Services:		
Pupil	222,679	170,833
Instructional Staff	352,357	344,937
Board of Education	14,613	10,241
Administration	581,605	577,940
Fiscal	260,047	209,620
Business	36,709	25,116
Operations and Maintenance	701,125	664,043
Pupil Transportation	332,986	307,434
Central	6,515	6,260
Food Service Operations	341,024	
Operations of Non-Instructional Services	48,676	355,569
Extracurricular Activities	219,593	257,971
Interest and Fiscal Charges	102,775	150,476
Total Expenses	8,175,307	7,721,501
Change in Net Assets	(946,705)	(694,134)
Net Assets at Beginning of Year	14,229,811	14,923,945
Net Assets at End of Year	\$13,283,106	\$14,229,811

Governmental Activities

Net assets of the School District's governmental activities decreased \$946,705. Total governmental expenses of \$8,175,307 were offset by program revenues of \$2,135,905 and general revenues of \$5,092,697. Program revenues supported 26.13% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from taxes, and grants and entitlements. These revenue sources represent 68.77% of total governmental revenue.

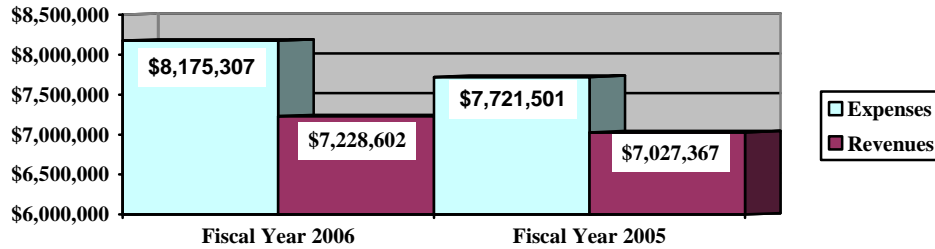
The largest expense of the School District is for instructional programs. Instruction expenses totaled \$4,954,603 or 60.60% of total governmental expenses for fiscal 2006.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The graph below presents the School District's governmental activities revenues and expenses for fiscal year 2006 and 2005.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

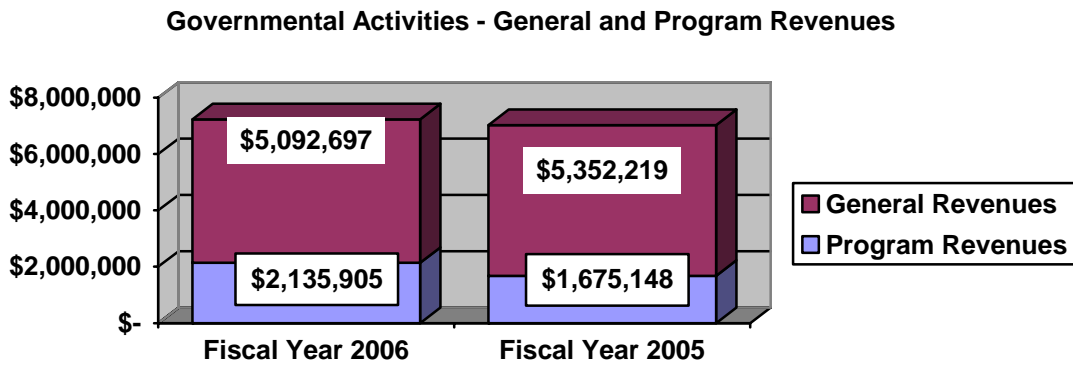
	<u>Total Cost of Services 2006</u>	<u>Net Cost of Services 2006</u>	<u>Total Cost of Services 2005</u>	<u>Net Cost of Services 2005</u>
Program Expenses				
Instruction:				
Regular	\$3,975,443	\$2,883,153	\$3,828,668	\$3,083,968
Special	794,295	240,111	650,445	182,223
Vocational	184,865	156,961	161,948	131,356
Support Services:				
Pupil	222,679	204,869	170,833	170,833
Instructional Staff	352,357	351,359	344,937	344,937
Board of Education	14,613	14,613	10,241	10,241
Administration	581,605	576,929	577,940	572,940
Fiscal	260,047	259,702	209,620	209,620
Business	36,709	13,565	25,116	(2,779)
Operations and Maintenance	701,125	692,650	664,043	658,043
Pupil Transportation	332,986	332,986	307,434	299,839
Central	6,515	1,526	6,260	5,115
Operations of Non-Instructional Services	48,676	48,676	355,569	59,012
Food Service Operations	341,024	13,595		
Extracurricular Activities	219,593	145,932	257,971	170,529
Interest and Fiscal Charges	102,775	102,775	150,476	150,476
Total Expenses	<u>\$8,175,307</u>	<u>\$6,039,402</u>	<u>\$7,721,501</u>	<u>\$6,046,353</u>

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 66.21% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.87%. The School District's taxpayers, as a whole, are by far the primary support for School District's students.

The graph below presents the School District's governmental activities revenue for fiscal year 2006 and 2005.



The School District's Funds

The School District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$2,035,362, which is lower than last year's total of \$2,292,734. The June 30, 2005 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Restated Fund Balance June 30, 2005	(Decrease)	Percentage Change
General	\$1,538,335	\$1,767,010	(\$228,675)	(12.94) %
Other Governmental	497,027	525,724	(28,697)	(5.46) %
Total	\$2,035,362	\$2,292,734	(\$257,372)	(11.23) %

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

General Fund

The School District's general fund, fund balance decreased by \$228,675. Expenditures exceeded revenues for fiscal year 2006 by \$220,246. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2006 Amount	Restated 2005 Amount	Increase (Decrease)	Percentage Change
Revenues				
Taxes	\$1,602,990	\$1,499,407	\$103,583	6.91 %
Earnings on Investments	89,841	59,491	30,350	51.02 %
Intergovernmental	3,891,940	3,739,732	152,208	4.07 %
Other Revenues	578,457	558,464	19,993	3.58 %
Total	6,163,228	5,857,094	306,134	5.23 %
Expenditures				
Instruction	4,174,327	3,843,962	330,365	8.59 %
Support Services	2,105,221	2,022,172	83,049	4.11 %
Non-instructional Services		11,786	(11,786)	(100.00) %
Extracurricular Activities	103,926	105,494	(1,568)	(1.49) %
Total	\$6,383,474	\$5,983,414	\$400,060	6.69 %

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2006, the School District amended its general fund budget several times. For the general fund, original budgeted revenues were \$6,082,440 and final budgeted revenues were \$6,477,440. Actual revenues for fiscal year 2006, was \$6,471,243. This represents a \$6,197 decrease from final budgeted revenues.

General fund original appropriations and other financing uses totaled \$6,547,170 and final appropriations and other financing uses totaled \$6,942,170. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$6,795,117, which is lower than the final budget appropriations by \$147,053.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the School District had \$14,117,863 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and textbooks. This entire amount is reported in governmental activities. The following table shows fiscal year 2006 balances compared to 2005:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2006	2005
Land	\$11,423	\$11,423
Land Improvements	1,039,245	1,107,018
Building and Improvements	11,988,152	12,398,325
Furniture and Equipment	853,366	1,000,147
Vehicles	225,677	282,881
Total	\$14,117,863	\$14,799,794

The overall decrease in capital assets of \$681,931 is due to depreciation of \$745,837 exceeding capital outlays of \$63,906 in the fiscal year.

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

Debt Administration

At June 30, 2006, the School District had \$2,428,475 in general obligation bonds outstanding for building improvements. Bonds in the amount of \$1,685,000 were advance refunded on September 14, 2005. Final maturity on these bonds is December 1, 2022. The remaining bonds have a final maturity of December 1, 2012. Of this total, \$145,000 is due within one year and \$2,283,475 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2006	Governmental Activities 2005
	General Obligation Bonds	\$2,428,475
Total	\$2,428,475	\$2,549,025

At June 30, 2006, the School District's overall legal debt margin was \$2,468,009, and an unvoted debt margin of \$53,145.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Current Financial Related Activities

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

The School District is currently operating in the first year of the state biennium budget. Approximately 26 percent of School District revenue source is from local property and income taxes, approximately 60 percent is from state and federal funds and the remainder is from other sources. The total expenditure per pupil was calculated at \$8,505.

Over the past several years, the School District has remained in a good financial position. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case, the long term effects of public utility deregulation, the reduction of personal property for business inventory, and the proposed changes in the state biennial budget.

Contacting the School District's Financial Management

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,530,071
Receivables:	
Taxes	1,966,415
Accounts	1,771
Intergovernmental	18,845
Accrued Interest	7,104
External Party Receivable	20,000
Materials and Supplies Inventory	13,093
Unamortized Bond Issue Costs	62,287
Capital Assets:	
Land	11,423
Depreciable Capital Assets, Net	14,106,440
Capital assets, Net	<u>14,117,863</u>
 Total Assets	 <u>18,737,449</u>
 Liabilities:	
Accounts Payable	47,720
Accrued Wages and Benefits	579,837
Pension Obligation Payable	146,196
Intergovernmental Payable	44,973
Deferred Revenue	1,600,471
Accrued Interest Payable	6,720
Long-Term Liabilities:	
Due Within One Year	164,559
Due in More Than One Year	2,863,867
Total Liabilities	<u>5,454,343</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	11,766,046
Restricted for:	
Capital Projects	118,664
Debt Service	117,254
Classroom Facilities Maintenance	228,165
State Funded Programs	2,237
District Managed Student Activities	4,702
Other Purposes	11,000
Unrestricted	<u>1,035,038</u>
 Total Net Assets	 <u><u>\$13,283,106</u></u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$3,975,443	\$556,190	\$528,548	\$7,552	(\$2,883,153)
Special	794,295		554,184		(240,111)
Vocational	184,865		27,904		(156,961)
Support Services:					
Pupil	222,679		17,810		(204,869)
Instructional Staff	352,357		998		(351,359)
Board of Education	14,613				(14,613)
Administration	581,605		4,676		(576,929)
Fiscal	260,047		345		(259,702)
Business	36,709	23,144			(13,565)
Operations and Maintenance	701,125		8,475		(692,650)
Pupil Transportation	332,986				(332,986)
Central	6,515	4,989			(1,526)
Operation of Non-Instructional Services:					
Food Service Operations	341,024	221,218	106,211		(13,595)
Other Non-Instructional Services	48,676				(48,676)
Extracurricular Activities	219,593	73,661			(145,932)
Interest and Fiscal Charges	102,775				(102,775)
Total Governmental Activities	\$8,175,307	\$879,202	\$1,249,151	\$7,552	(\$6,039,402)
General Revenues:					
Property Taxes Levied for:					
General Purposes					1,088,737
Debt Service					209,441
Capital Projects					81,901
Special Revenue					22,436
School District Income Tax					472,562
Grants and Entitlements not Restricted to Specific Programs					3,095,784
Investment Earnings					96,482
Miscellaneous					25,354
Total General Revenues					5,092,697
Change in Net Assets					(946,705)
Net Assets at Beginning of Year					14,229,811
Net Assets at End of Year					\$13,283,106

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,999,189	\$530,882	\$2,530,071
Receivables:			
Taxes	1,687,096	279,319	1,966,415
Accounts	343	1,428	1,771
Intergovernmental		18,845	18,845
Interfund Loans	21,138		21,138
Accrued Interest	6,763	341	7,104
External Party Receivable	20,000		20,000
Materials and Supplies Inventory	8,282	4,811	13,093
 Total Assets	 3,742,811	 835,626	 4,578,437
 Liabilities:			
Accounts Payable	18,164	29,556	47,720
Accrued Wages and Benefits	558,944	20,893	579,837
Pension Obligation Payable	135,892	10,304	146,196
Intergovernmental Payable	41,688	3,285	44,973
Interfund Loan Payable		21,138	21,138
Deferred Revenue	1,449,788	253,423	1,703,211
 Total Liabilities	 2,204,476	 338,599	 2,543,075
 Fund Balances:			
Reserved for Encumbrances	56,131	13,114	69,245
Reserved for Materials and Supplies Inventory	8,282	4,811	13,093
Reserved for Debt Service		93,937	93,937
Reserved for Tax Revenue Available for Appropriation	85,052	25,896	110,948
Unreserved, Undesignated, Reported in:			
General Fund	1,388,870		1,388,870
Special Revenue Funds		253,482	253,482
Capital Projects Funds		105,787	105,787
 Total Fund Balances	 1,538,335	 497,027	 2,035,362
 Total Liabilities and Fund Balances	 \$3,742,811	 \$835,626	 \$4,578,437

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006**

Total Governmental Fund Balances		\$2,035,362
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,117,863
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes		102,740
Unamortized deferred charges are not recognized in the funds.		183,153
Unamortized premiums on bond issuance is not recognized in the funds.		(245,440)
Unamortized bond issuance costs are not recognized in the funds.		62,287
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(6,720)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(537,664)	
General Obligation Bonds	<u>(2,428,475)</u>	
Total		<u>(2,966,139)</u>
Net Assets of Governmental Activities		<u><u>\$13,283,106</u></u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From Local Sources:			
Taxes	\$1,602,990	\$309,126	\$1,912,116
Tuition	538,589		538,589
Charges for Services		221,218	221,218
Earnings on Investments	89,841	6,641	96,482
Extracurricular		79,623	79,623
Classroom Materials and Fees	14,514	3,087	17,601
Other Local Revenues	25,354	22,171	47,525
Intergovernmental - State	3,889,415	81,765	3,971,180
Intergovernmental - Federal	2,525	380,623	383,148
	<u>6,163,228</u>	<u>1,104,254</u>	<u>7,267,482</u>
Total Revenue			
Expenditures:			
Current:			
Instruction:			
Regular	3,481,559	75,406	3,556,965
Special	524,393	221,911	746,304
Vocational	168,375		168,375
Support Services:			
Pupil	183,046	18,087	201,133
Instructional Staff	315,806	1,008	316,814
Board of Education	14,613		14,613
Administration	532,862	4,694	537,556
Fiscal	240,146	7,570	247,716
Business		36,709	36,709
Operations and Maintenance	531,515	67,650	599,165
Pupil Transportation	285,681		285,681
Central	1,552	4,963	6,515
Operation of Non-Instructional Services:			
Food Service Operations		318,907	318,907
Extracurricular Activities	103,926	76,879	180,805
Facilities Acquisition and Construction		90,991	90,991
Debt Service:			
Principal Retirement		140,000	140,000
Interest and Fiscal Charges		76,606	76,606
Bond Issue Costs		65,133	65,133
	<u>6,383,474</u>	<u>1,206,514</u>	<u>7,589,988</u>
Total Expenditures			
Excess of Revenues Under Expenditures	<u>(220,246)</u>	<u>(102,260)</u>	<u>(322,506)</u>
Other Financing Sources (Uses):			
Transfers In		8,429	8,429
Transfers (Out)	(8,429)		(8,429)
Premium on Sale of Bonds		256,654	256,654
Sale of Bonds		1,685,000	1,685,000
Payment to Refunded Bond Escrow Agent		(1,876,520)	(1,876,520)
	<u>(8,429)</u>	<u>73,563</u>	<u>65,134</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	<u>(228,675)</u>	<u>(28,697)</u>	<u>(257,372)</u>
Fund Balances at Beginning of Year (Restated - Note 3)	<u>1,767,010</u>	<u>525,724</u>	<u>2,292,734</u>
Fund Balances at End of Year	<u>\$1,538,335</u>	<u>\$497,027</u>	<u>\$2,035,362</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balances - Total Governmental Funds		(\$257,372)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital Asset Additions	\$63,906	
Current Year Depreciation	<u>(745,837)</u>	
Total		(681,931)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(37,039)	
Intergovernmental Revenue	<u>(1,841)</u>	
Total		(38,880)
Proceeds of refunding bonds are recorded as revenue in the governmental funds, however, the proceeds increase long-term liabilities on the statement net assets.		
		(1,685,000)
Payments to refunding bond escrow agents are an other financing use in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets.		
		1,685,000
Premiums on refunding bonds are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		(245,440)
Bond issuance costs on refunding bonds are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		62,287
Deferred charges on refundings are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		183,153
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		140,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported on the statement of activities.		
Accrued Interest	(6,720)	
Accreted Interest on Capital Appreciation Bonds	<u>(19,450)</u>	
Total		(26,170)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(82,352)</u>
Change in Net Assets of Governmental Activities		<u><u>(\$946,705)</u></u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From Local Sources:				
Taxes	\$1,481,241	\$1,577,434	\$1,585,442	\$8,008
Tuition	505,826	538,675	538,675	
Earnings on Investments	82,166	87,502	87,502	
Classroom Materials and Fees	14,367	15,300	14,514	(786)
Other Local Revenues	12,865	13,700	27,054	13,354
Intergovernmental - State	3,656,637	3,894,103	3,889,415	(4,688)
Intergovernmental - Federal	16,456	17,525	2,525	(15,000)
Total Revenue	<u>5,769,558</u>	<u>6,144,239</u>	<u>6,145,127</u>	<u>888</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,440,055	3,647,596	3,491,191	156,405
Special	488,427	517,895	512,988	4,907
Vocational	163,315	173,168	168,973	4,195
Support Services:				
Pupil	167,802	177,926	186,144	(8,218)
Instructional Staff	283,278	300,369	313,370	(13,001)
Board of Education	14,556	15,434	14,630	804
Administration	498,273	528,335	541,844	(13,509)
Fiscal	228,505	242,291	248,852	(6,561)
Operations and Maintenance	554,135	587,567	547,910	39,657
Pupil Transportation	273,515	290,017	301,243	(11,226)
Central	330	350	1,852	(1,502)
Extracurricular Activities	103,828	110,092	114,990	(4,898)
Total Expenditures	<u>6,216,019</u>	<u>6,591,040</u>	<u>6,443,987</u>	<u>147,053</u>
Excess of Revenues Over (Under) Expenditures	<u>(446,461)</u>	<u>(446,801)</u>	<u>(298,860)</u>	<u>147,941</u>
Other Financing Sources (Uses):				
Transfers (Out)	(7,949)	(8,429)	(8,429)	
Advances In	312,882	333,201	326,116	(7,085)
Advances (Out)	<u>(323,202)</u>	<u>(342,701)</u>	<u>(342,701)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(18,269)</u>	<u>(17,929)</u>	<u>(25,014)</u>	<u>(7,085)</u>
Net Change in Fund Balance	(464,730)	(464,730)	(323,874)	140,856
Fund Balance at Beginning of Year	2,179,582	2,179,582	2,179,582	
Prior Year Encumbrances Appropriated	69,954	69,954	69,954	
Fund Balance at End of Year	<u>\$1,784,806</u>	<u>\$1,784,806</u>	<u>\$1,925,662</u>	<u>\$140,856</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$24,208	\$81,174
Receivables:		
Accrued Interest	55	
	24,263	81,174
Total Assets	24,263	81,174
Liabilities:		
Accounts Payable		2,053
External Party Payable		20,000
Due to Students		59,121
		81,174
Total Liabilities		\$81,174
Net Assets:		
Held in Trust for Scholarships	24,263	
Total Net Assets	\$24,263	

See accompanying notes to the basic financial statements.

RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Interest	\$55
Gifts and Contributions	888
	<hr/>
Total Additions	943
	<hr/>
Deductions:	
Scholarships Awarded	500
	<hr/>
Change in Net Assets	443
Net Assets at Beginning of Year.	23,820
	<hr/>
Net Assets at End of Year	<u><u>\$24,263</u></u>

See accompanying notes to the basic financial statements.

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**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Riverside Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and the privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District. The Board oversees the operations of the School District's seven instructional/support facilities staffed by 35 non-certified and 62 certified full-time teaching personnel who provide services to 802 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' government board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government). The following organizations are described due to their relationship to the School District:

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Group Purchasing Pools

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

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

Each year, the participating school districts pay an enrollment fee to Sheakley Uniserve, Inc. to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the GRP.

Logan County Schools Benefit Plan Association

The School 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 School 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.

2. Jointly Governed Organizations

Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public Districts within the boundaries of Hardin, Auglaize, Logan, Shelby, Miami and Champaign Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. This organization is governed by a board of directors consisting of 14 members: the superintendent of the fiscal agent Shelby County Educational Service Center, two superintendents from each county that is represented, one Treasurer representative from the school districts, student services representative from the school districts, and a non-voting independent district representative.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

Ohio Hi-Point Joint Vocational School District

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

West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. 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 Margaret Grimm, Treasurer, at the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite #2, Wapakoneta, Ohio 45895.

Logan County Education Foundation

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

B. Fund Accounting

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

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

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

2. Fiduciary Funds

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

C. Basis of Presentation and Measurement Focus

1. Government-wide Financial Statements

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

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

All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

2. Fund Financial Statements

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions

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

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

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures

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

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

E. Budgets

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

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments

To improve cash management, cash received by the School District is pooled in a central bank account. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2006, investments were limited to certificates of deposit.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$89,841, which includes \$40,250 assigned from other funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,200. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School District does not possess infrastructure.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

Fund equity reserves have been established for encumbrances, materials and supplies inventory, debt service and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

N. Net Assets

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Estimates

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

P. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

3. ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", GASB Statement No. 47, "Accounting for Termination Benefits", and GASB Technical Bulletin 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers."

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the School District as previously reported at June 30, 2005.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major governmental funds of the School District as they were previously reported as of June 30, 2005:

	General	Nonmajor	Total
Fund Balances, June 30, 2005	\$1,818,208	\$525,724	\$2,343,932
GASB Technical Bulletin No. 2004-2	(51,198)		(51,198)
Restated Fund Balances, June 30, 2005	\$1,767,010	\$525,724	\$2,292,734

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

	Deficit
Nonmajor Funds	
EMIS	\$19
IDEA-B	1,054
Title I	476
Title V	8
Improving Teacher Quality	124

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Protection of School 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 to be deposited or invested in the following securities:

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all School District deposits was \$2,635,303. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006 \$2,479,585 of the School District's bank balance of \$2,679,585 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 106% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute.

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

Cash and Investments per Footnote	
Carrying Amount of Deposits	\$2,635,303
Cash on Hand	150
Total	\$2,635,453

Cash and Investments per Statement of Net Assets	
Governmental Activities	\$2,530,071
Private-Purpose Trust Funds	24,208
Agency Funds	81,174
Total	\$2,635,453

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to Non-major Governmental Funds from:		
General Fund		\$8,429

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

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

- B. Interfund balances at June 30, 2006 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major Governmental Funds	\$21,138

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the Statement of Net Assets.

- C. Loans between governmental funds and agency funds are reported as "External Party Receivable/Payable" on the financial statements. The School District had the following loans outstanding at fiscal year-end:

<u>Loan From</u>	<u>Loan To</u>	<u>Amount</u>
General	Agency	\$20,000

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

6. PROPERTY TAXES

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year.

The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Logan and Shelby Counties. The respective 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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date 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, 2006 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.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2006 was \$85,052 in the general fund, \$19,453 in the debt service fund, and \$6,443 in the capital projects fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$81,694 in the general fund \$16,698 in the debt service fund, and \$6,061 in the capital projects fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$47,863,080	90.75	\$48,836,410	91.90
Public Utility Personal	3,179,400	6.03	3,004,940	5.65
Tangible Personal Property	<u>1,696,280</u>	<u>3.22</u>	<u>1,304,144</u>	<u>2.45</u>
Total	<u>\$52,738,760</u>	<u>100.00</u>	<u>\$53,145,494</u>	<u>100.00</u>
Tax Rate per \$1,000 of Assessed Valuation	\$52.30		\$52.20	

7. SCHOOL DISTRICT INCOME TAX

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000 for 5 years and was renewed on March 2, 2004, with a period starting January 1, 2005 lasting 5 years. and will continue for 5 years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School 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, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:	
Taxes	\$1,966,415
Accounts	1,771
Accrued Interest	7,104
Intergovernmental	<u>18,845</u>
Total	<u>\$1,994,135</u>

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
Governmental Activities:				
<i>Capital Assets, not being depreciated:</i>				
Land	\$11,423			\$11,423
Total Capital Assets, not being depreciated	<u>11,423</u>			<u>11,423</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,357,169	\$6,500		1,363,669
Buildings and Improvements	14,104,670	22,561		14,127,231
Furniture, Fixtures and Equipment	2,082,801	34,845	(\$57,036)	2,060,610
Vehicles	565,658			565,658
Textbooks	632,952			632,952
Total Capital Assets, being depreciated	<u>18,743,250</u>	<u>63,906</u>	<u>(57,036)</u>	<u>18,750,120</u>
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(250,151)	(74,273)		(324,424)
Buildings and Improvements	(1,706,345)	(432,734)		(2,139,079)
Furniture, Fixtures and Equipment	(1,082,654)	(181,626)	57,036	(1,207,244)
Vehicles	(282,777)	(57,204)		(339,981)
Textbooks	(632,952)			(632,952)
Total accumulated depreciation	<u>(3,954,879)</u>	<u>(745,837)</u>	<u>57,036</u>	<u>(4,643,680)</u>
Governmental Activities Capital Assets, Net	<u>\$14,799,794</u>	<u>(\$681,931)</u>	<u>\$0</u>	<u>\$14,117,863</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$353,887
Special	9,081
Vocational	20,673
Support Services:	
Instructional Staff	50,571
Administration	79,450
Fiscal	5,456
Operations and Maintenance	49,591
Pupil Transportation	57,204
Operations of Non-Instruction	48,676
Extracurricular	55,500
Food Service Operations	15,748
Total Depreciation Expense	<u>\$745,837</u>

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. LONG-TERM OBLIGATIONS

A. During fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due in One Year
G.O. Bonds- Series 2001	\$2,549,025	\$16,041	(\$1,795,000)	\$770,066	\$115,000
G.O. Refunding Bonds - Series 2006		1,688,409	(30,000)	1,658,409	30,000
Compensated Absences	455,312	82,352		537,664	19,559
Total	\$3,004,337	\$1,786,802	(\$1,825,000)	2,966,139	\$164,559
Less: Deferred Charge on Refunding				(183,153)	
Add: Unamortized Premium				245,440	
Total on Statement of Net Assets				\$3,028,426	

School Facilities Construction and Improvement General Obligation Bonds

On May 4, 2001, the School District issued \$2,881,817 in voted general obligation bonds for the purpose of constructing, renovation, and improving existing school facilities and related site development. The bond issue included serial, term and capital appreciation bonds 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. The interest rates on the serial and term bonds are 4.6 to 5.75% and 12.55% for the capital appreciation bonds. In fiscal year 2006, \$1,685,000 of the serial bonds were refunded.

The Capital Appreciation Bonds will mature during fiscal years 2012 and 2013. The maturity amount of the bonds is \$290,040. For fiscal year 2006, \$16,041 was accreted for a total bond value of \$140,066.

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

The following is a schedule of activity for fiscal 2006 on the 2001 series general obligation bonds:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
Current Interest Bonds	\$2,425,000		(\$1,795,000)	\$630,000
Capital Appreciation Bonds	124,025	\$16,041		140,066
Total G.O. Bonds	\$2,549,025	\$16,041	(\$1,795,000)	\$770,066

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$115,000	\$31,530	\$146,530			
2008	120,000	25,895	145,895			
2009	125,000	19,955	144,955			
2010	130,000	13,705	143,705			
2011	140,000	7,140	147,140			
2012 - 2013				\$66,817	\$223,183	\$290,000
Total	<u>\$630,000</u>	<u>\$98,225</u>	<u>\$728,225</u>	<u>\$66,817</u>	<u>\$223,183</u>	<u>\$290,000</u>

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

The refunding issue is comprised of both current interest serial bonds, par value \$260,000, and current interest term bonds, par value of 1,415,000, and capital appreciation bonds, par value \$10,000. The current interest serial bonds mature in the years 2006 through 2013 and the current interest term bonds mature in the years 2016, 2018, 2020, and 2022. The capital appreciation bonds will mature during fiscal years 2014 and 2015 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2006 was \$10,000. Total accreted interest of \$3,409 has been included in the statement of activities.

Current interest term bonds maturing on or after December 1, 2016 will be subject to optional redemption prior to stated maturity. Current interest term bonds maturing December 1, 2016, December 1, 2018, December 1, 2020, and December 1, 2022 will be subject to mandatory sinking fund redemption prior to stated maturity.

The reacquisition price exceeded the net carrying amount of the old debt by \$191,520. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next nine years by 4.72% and resulted in an economic gain of \$79,492.

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

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>
Current Interest Bonds		\$1,675,000	(\$30,000)	\$1,645,000
Capital Appreciation Bonds		13,409		13,409
Total Refunding Bonds		<u>\$1,688,409</u>	<u>(\$30,000)</u>	<u>\$1,658,409</u>

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$30,000	\$63,815	\$93,815			
2008	30,000	62,840	92,840			
2009	30,000	61,865	91,865			
2010	35,000	60,890	95,890			
2011	35,000	59,717	94,717			
2012 - 2016	250,000	283,870	533,870	\$10,000	\$345,000	\$355,000
2017 - 2021	925,000	180,115	1,105,115			
2022 - 2023	310,000	23,000	333,000			
Total	<u>\$1,645,000</u>	<u>\$796,112</u>	<u>\$2,441,112</u>	<u>\$10,000</u>	<u>\$345,000</u>	<u>\$355,000</u>

Debt payments will be made from the Debt Service Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$2,468,009 and an unvoted debt margin \$53,145.

11. COMPENSATED ABSENCES

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit to a maximum of 60 days for all employees.

12. RISK MANAGEMENT

The School District is subject to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The School 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

12. RISK MANAGEMENT (Continued)

The School District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$18,405,356 and a 90 percent coinsurance. The policy includes a \$5,000 deductible for commercial property coverage.

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

The School 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 School 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.

13. PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$83,378, \$74,619, and \$80,656, respectively; 48.18% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$43,203 represents the unpaid contribution for fiscal year 2006.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

13. PENSION PLANS (Continued)

B. State Teachers Retirement System

The School 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 43215-3771 or by calling 1-888-227-7877.

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$417,988, \$393,532, \$384,093, respectively; 83.00% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$71,058 represents the unpaid contribution for fiscal year 2006. Contributions to the DC and Combined Plans for fiscal year 2006 were \$3,752 made by the School District and \$7,099 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2006, there were no members of the Board of Education that elected Social Security. The School District's liability is 6.2 percent of wages paid.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

14. POSTEMPLOYMENT BENEFITS

The School 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.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$32,153 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282.743 million and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, School District paid \$38,294 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants currently receiving health care benefits.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance	<u>General Fund</u>
Budget Basis	(\$323,874)
Net Adjustment for Revenue Accruals	18,101
Net Adjustment for Expenditure Accruals	(13,014)
Net Adjustment for Other Financing Sources/Uses	16,585
Adjustment for Encumbrances	<u>73,527</u>
GAAP Basis	<u><u>(\$228,675)</u></u>

16. CONTINGENCIES

A. Grants

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

B. Litigation

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

17. STATUTORY RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	Textbooks	Acquisition
Set-Aside Cash Balance as of June 30, 2005	(\$349,411)	(\$247,693)
Current Year Set-Aside Requirement	122,817	122,817
Qualifying disbursements	(131,666)	(122,817)
 Total	 (\$358,260)	 (\$247,693)
 Cash Balance Carried Forward to FY 2007	 (\$358,260)	 (\$247,693)

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Riverside Local School District, Logan County, (the School District) as of and for the fiscal year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

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

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www.auditor.state.oh.us

Riverside Local School District
Logan County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Education. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 29, 2007



Mary Taylor, CPA
Auditor of State

RIVERSIDE LOCAL SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 5, 2007**