

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Riverside Local School District, Lake County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 9, 2008

This Page is Intentionally Left Blank.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Statement of Net Assets	10
Statement of Activities	11
Balance Sheet - Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) Basis and Actual - General Fund	16
Statement of Fund Net Assets - Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets	18
Statement of Cash Flows - Proprietary Funds	19
Statement of Fiduciary Net Assets - Fiduciary Funds	20
Notes to the Basic Financial Statements	21-56
Schedule of Expenditures of Federal Awards	57
Notes to Supplemental Schedule of Expenditures of Federal Awards	58
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	61-62
Schedule of Findings and Questioned Costs	63-64
Schedule of Prior Audit Findings and Recommendations	65

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Riverside Local School District

The Honorable Mary Taylor
Auditor of State
State of Ohio

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

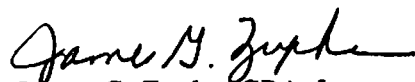
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Ohio, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2008, on our consideration of the Riverside Local School District, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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


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

November 7, 2008

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the Riverside Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance. The District formally changed its name from the Painesville Township Local School District to the Riverside Local School District effective July 1, 2007.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- Net assets of governmental activities increased by \$838,637.
- General revenues accounted for \$40,685,732 in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,155,908 or 13 percent of total revenues of \$46,841,640.
- Total assets of governmental activities increased by \$3,349,813 as cash and cash equivalents and investments increased by \$1,177,735, taxes and intergovernmental receivables increased by \$2,122,692.
- The District had \$43,996,353 in expenses related to governmental activities; \$4,189,259 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$40,676,531 were adequate to provide for these programs.
- The District has one major fund: the general fund. The general fund had \$39,791,356 (includes other financing sources) in revenues and \$40,351,229 (includes other financing uses) in expenditures. The general fund's balance decreased to \$5,348,770 from \$5,879,633.

Using this Annual Financial Report

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

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

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

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

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

In the Statement of Net Assets and Statement of Activities, the District reports governmental activities and business-type activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities. Business-type activities provide services on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's Food Services, Adult Enrichment Program and Special Enterprise Fund are reported as business-type activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 12 of the financial statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2008 compared to 2007:

Table 1 - Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and						
Other Assets	\$ 43,783,388	\$ 40,435,577	\$ 463,900	\$ 335,206	\$ 44,247,288	\$ 40,770,783
Capital Assets	<u>15,464,038</u>	<u>15,462,036</u>	<u>177,279</u>	<u>168,171</u>	<u>15,641,317</u>	<u>15,630,207</u>
Total Assets	<u><u>\$ 59,247,426</u></u>	<u><u>\$ 55,897,613</u></u>	<u><u>\$ 641,179</u></u>	<u><u>\$ 503,377</u></u>	<u><u>\$ 59,888,605</u></u>	<u><u>\$ 56,400,990</u></u>
Liabilities						
Long-Term Liabilities	\$ 7,434,975	\$ 7,882,426	\$ 24,203	\$ 0	\$ 7,459,178	\$ 7,882,426
Other Liabilities	<u>35,098,224</u>	<u>32,139,597</u>	<u>107,040</u>	<u>71,021</u>	<u>35,205,264</u>	<u>32,210,618</u>
Total Liabilities	<u><u>42,533,199</u></u>	<u><u>40,022,023</u></u>	<u><u>131,243</u></u>	<u><u>71,021</u></u>	<u><u>42,664,442</u></u>	<u><u>40,093,044</u></u>
Net Assets						
Invested in Capital Assets,						
Net of Debt	9,302,426	8,697,409	177,279	168,171	9,479,705	8,865,580
Restricted	1,908,001	1,565,097	0	0	1,908,001	1,565,097
Unrestricted	<u>5,503,800</u>	<u>5,613,084</u>	<u>332,657</u>	<u>264,185</u>	<u>5,836,457</u>	<u>5,877,269</u>
Total Net Assets	<u><u>\$ 16,714,227</u></u>	<u><u>\$ 15,875,590</u></u>	<u><u>\$ 509,936</u></u>	<u><u>\$ 432,356</u></u>	<u><u>\$ 17,224,163</u></u>	<u><u>\$ 16,307,946</u></u>

Total assets increased by \$3,487,615 as cash and cash equivalents increased by \$1,358,024, receivables increased by \$2,086,362. Unrestricted net assets of the District, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, decreased by \$(40,812).

Table 2 shows the changes in net assets for fiscal year 2008 and also presents a comparative analysis to fiscal year 2007 for governmental activities, business-type activities, and both governmental and business-type activities combined.

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 - Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for Services	\$ 2,137,043	\$ 1,761,647	\$ 1,416,944	\$ 1,382,878	\$ 3,553,987	\$ 3,144,525
Operating Grants and Contributions	2,052,216	2,001,517	549,705	471,454	2,601,921	2,472,971
General Revenues:						
Property Taxes	28,874,827	26,983,502	0	0	28,874,827	26,983,502
Grants and Entitlements	11,267,142	10,640,993	0	0	11,267,142	10,640,993
Investment Earnings	509,191	552,828	9,201	10,928	518,392	563,756
Other	25,371	97,074	0	0	25,371	97,074
Total Revenues	44,865,790	42,037,561	1,975,850	1,865,260	46,841,640	43,902,821
Program Expenses						
Instruction:						
Regular	18,507,422	18,235,550	0	0	18,507,422	18,235,550
Special	3,365,994	3,062,212	0	0	3,365,994	3,062,212
Other	642,088	659,074	0	0	642,088	659,074
Support Services:						
Pupil	1,902,737	1,757,215	0	0	1,902,737	1,757,215
Instructional Staff	1,766,595	1,317,402	0	0	1,766,595	1,317,402
Board of Education	21,539	9,135	0	0	21,539	9,135
Administration	4,575,606	4,122,601	0	0	4,575,606	4,122,601
Fiscal	1,057,003	910,762	0	0	1,057,003	910,762
Business	107,145	105,812	0	0	107,145	105,812
Operation and Maintenance of Plant	5,498,487	4,562,395	0	0	5,498,487	4,562,395
Pupil Transportation	5,268,827	4,437,476	0	0	5,268,827	4,437,476
Central	64,587	70,554	0	0	64,587	70,554
Operation of Non-Instructional Services	105,980	155,356	0	0	105,980	155,356
Extracurricular Activities	835,324	778,312	0	0	835,324	778,312
Interest and Fiscal Charges	277,019	316,083	0	0	277,019	316,083
Food Service	0	0	1,637,259	1,479,178	1,637,259	1,479,178
Special Enterprise	0	0	291,811	273,779	291,811	273,779
Total Program Expenses	43,996,353	40,499,939	1,929,070	1,752,957	45,925,423	42,252,896
Increase in Net Assets before Transfers	869,437	1,537,622	46,780	112,303	916,217	1,649,925
Transfers	(30,800)	0	30,800	0	0	0
Net Assets, Beginning of Year	15,875,590	14,337,968	432,356	320,053	16,307,946	14,658,021
Net Assets, End of Year	\$ 16,714,227	\$15,875,590	\$ 509,936	\$ 432,356	\$17,224,163	\$16,307,946

Governmental Activities

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

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 64.4 percent of revenues for governmental activities for the District in fiscal year 2008. The effects of reappraisal of real property across the District resulted in the increase in property taxes.

Grants and entitlements have increased as a result of the additional tangible personal property tax reimbursements received from the State of Ohio.

Changes for Services from Special Education increased due to an increase in out of District special education students being educated in the District. Classroom fees for regular instruction increased due to better collection of fees and increased enrollment.

Instruction comprises 51.2 percent of governmental program expenses, which is comparable to the prior year. Support Services - Instructional Staff increased \$449,193 due to an increase in hiring of aides for special education students through both the general fund and federal programs. Support Services - Administration increased \$453,005 due to recognizing a full year of the payroll expenses related to the assistant technology director and additional retirement pick-up by the District for administrators. Support Services - Operation and Maintenance of Plant Services increased \$936,092 due to a significant increase in fuel, utilities and other costs of supplies. In addition, the District had additional building projects during fiscal year 2008 when compared to fiscal year 2007. Support Services - Pupil Transportation increased \$831,351 due to increases in diesel fuel and other associated costs, additional bus purchased in fiscal year 2008 and additional bus aides hired through the IDEA Part B program.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. A comparative analysis of 2008 to 2007 is presented.

Table 3 - Governmental Activities

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
Instruction	\$ 22,515,504	\$ 21,956,836	\$(20,085,592)	\$ (19,871,269)
Support Services:				
Pupil and Instructional Staff	3,669,332	3,074,617	(2,994,286)	(2,556,194)
Board of Education, Administration, Fiscal, and Business	5,761,293	5,148,310	(5,731,919)	(5,118,618)
Operation and Maintenance of Plant	5,498,487	4,562,395	(5,477,550)	(4,562,005)
Pupil Transportation	5,268,827	4,437,476	(5,107,536)	(4,305,622)
Central	64,587	70,554	(23,892)	(30,721)
Operation of Non-Instructional Services	105,980	155,356	11,468	130,728
Extracurricular Activities	835,324	778,312	(120,768)	(106,991)
Interest and Fiscal Charges	277,019	316,083	(277,019)	(316,083)
Total Expenses	<u>\$ 43,996,353</u>	<u>\$ 40,499,939</u>	<u>\$(39,807,094)</u>	<u>\$ (36,736,775)</u>

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

The School District's Funds

The District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue of \$44,744,230 (includes other financing sources) and expenditures of \$44,968,234 (includes other financing uses). The net change in fund balance for the year was most significant in the general fund, a decrease of \$530,863, which includes the change in reserve for inventory.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the District's general fund budget remained constant. The District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the original and final budget basis revenue (including other financing sources) varied slightly, \$39,229,892 and \$39,266,996, respectively. During fiscal year 2008, the District's final budget basis revenue for property tax revenues was \$26,508,216. The District received \$27,109,997 in property tax revenue. This variance was simply caused by under-estimation of the revenue line item.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$15,641,317 invested in land, construction in progress, land improvements, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007:

Table 4 - Capital Assets at June 30

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,495,805	\$ 1,495,805	\$ 0	\$ 0	\$ 1,495,805	\$ 1,495,805
Construction in Progress	40,000	0	0	0	40,000	0
Land Improvements	1,817,576	1,918,735	0	0	1,817,576	1,918,735
Buildings and Improvements	8,525,926	8,635,058	0	0	8,525,926	8,635,058
Furniture and Equipment	1,356,303	972,653	177,279	168,171	1,533,582	1,140,824
Vehicles	2,228,428	2,439,785	0	0	2,228,428	2,439,785
	<u>\$15,464,038</u>	<u>\$ 15,462,036</u>	<u>\$ 177,279</u>	<u>\$ 168,171</u>	<u>\$ 15,641,317</u>	<u>\$ 15,630,207</u>

Overall capital assets increased \$11,110 from fiscal year 2007 to fiscal year 2008. See Note 7 to the basic financial statements for more detail.

RIVERSIDE LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

Debt

At June 30, 2008, the District had \$6,140,946 in bonds and capital lease outstanding. In 2003, \$7,730,000 in debt, carrying an average interest rate of 5.75 percent, was refunded with new bonds carrying an average interest rate of 3.05 percent. On June 23, 2005, the District issued \$541,002 in general obligation (GO) bonds, carrying an average interest rate of 5.33 percent with an average maturity of 6.86 years.

In fiscal year 2007, the District entered into a capital lease agreement for the purchase of computers. The lease amount was \$181,200 at an interest rate of 5.59 percent with maturity on October, 2008.

Table 5 summarizes outstanding debt. Also see Notes 8 and 9 to the basic financial statements for more detail.

Table 5 - Outstanding Debt at Year End

	<u>Governmental Activities</u>	
	2008	2007
Limited Tax General Obligation Bond	\$ 435,541	\$ 472,535
2003 School Improvement Bonds (including bond accretion)	5,645,065	6,200,960
Capital Lease Payable	60,340	117,486
Total	\$ 6,140,946	\$ 6,790,981

Economic Factors

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

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

Contacting the School District's Financial Management

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

RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 8,207,644	\$ 416,975	\$ 8,624,619
Cash and Cash Equivalents:			
In Segregated Accounts	1,165	0	1,165
With Fiscal Agents	1,220,805	0	1,220,805
Restricted Cash and Cash Equivalents	585,565	0	585,565
Investments	1,008,440	0	1,008,440
Inventory	211,328	18,138	229,466
Accrued Interest Receivable	18,750	0	18,750
Accounts Receivable	34,936	50	34,986
Internal Balances	(28,737)	28,737	0
Intergovernmental Receivable	7,504	0	7,504
Taxes Receivable	32,515,988	0	32,515,988
Non-Depreciable Capital Assets	1,535,805	0	1,535,805
Depreciable Capital Assets, Net	<u>13,928,233</u>	<u>177,279</u>	<u>14,105,512</u>
Total Assets	<u>\$ 59,247,426</u>	<u>\$ 641,179</u>	<u>\$ 59,888,605</u>
<u>Liabilities</u>			
Accounts Payable	\$ 217,513	\$ 5,657	\$ 223,170
Accrued Wages and Benefits	2,780,921	34,432	2,815,353
Intergovernmental Payable	1,302,512	56,018	1,358,530
Accrued Interest Payable	15,729	0	15,729
Matured Compensated Absences Payable	185,991	10,933	196,924
Retirement Incentive Liability	73,308	0	73,308
Contracts Payable	752,445	0	752,445
Claims Payable	596,016	0	596,016
Unearned Revenue	29,173,789	0	29,173,789
Long-Term Liabilities:			
Due Within One Year	980,010	989	980,999
Due In More Than One Year	<u>6,454,965</u>	<u>23,214</u>	<u>6,478,179</u>
Total Liabilities	<u>42,533,199</u>	<u>131,243</u>	<u>42,664,442</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	9,302,426	177,279	9,479,705
Restricted for:			
Capital Projects	1,139,344	0	1,139,344
Debt Service	559,649	0	559,649
Other Purposes	209,008	0	209,008
Unrestricted	<u>5,503,800</u>	<u>332,657</u>	<u>5,836,457</u>
Total Net Assets	<u>\$ 16,714,227</u>	<u>\$ 509,936</u>	<u>\$ 17,224,163</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Governmental Activities</u>						
Instruction:						
Regular	\$ 18,507,422	\$ 883,152	\$ 140,146	\$ (17,484,124)	\$ 0	\$ (17,484,124)
Special	3,365,994	353,076	1,052,538	(1,960,380)	0	(1,960,380)
Adult/Continuing	0	0	1,000	1,000	0	1,000
Other	642,088	0	0	(642,088)	0	(642,088)
Support Services:						
Pupil	1,902,737	0	407,732	(1,495,005)	0	(1,495,005)
Instructional Staff	1,766,595	0	267,314	(1,499,281)	0	(1,499,281)
Board of Education	21,539	0	0	(21,539)	0	(21,539)
Administration	4,575,606	0	29,374	(4,546,232)	0	(4,546,232)
Fiscal	1,057,003	0	0	(1,057,003)	0	(1,057,003)
Business	107,145	0	0	(107,145)	0	(107,145)
Operation and Maintenance of Plant	5,498,487	14,433	6,504	(5,477,550)	0	(5,477,550)
Pupil Transportation	5,268,827	80,883	80,408	(5,107,536)	0	(5,107,536)
Central	64,587	0	40,695	(23,892)	0	(23,892)
Operation of Non-Instructional Services	105,980	90,943	26,505	11,468	0	11,468
Extracurricular Activities	835,324	714,556	0	(120,768)	0	(120,768)
Interest and Fiscal Charges	277,019	0	0	(277,019)	0	(277,019)
Total Governmental Activities	<u>43,996,353</u>	<u>2,137,043</u>	<u>2,052,216</u>	<u>(39,807,094)</u>	<u>0</u>	<u>(39,807,094)</u>
<u>Business-Type Activities</u>						
Food Service Fund	1,637,259	1,091,126	549,705	0	3,572	3,572
Special Enterprise Fund	291,811	325,818	0	0	34,007	34,007
Total Business-Type Activities	<u>1,929,070</u>	<u>1,416,944</u>	<u>549,705</u>	<u>0</u>	<u>37,579</u>	<u>37,579</u>
Totals	<u>\$ 45,925,423</u>	<u>\$ 3,553,987</u>	<u>\$ 2,601,921</u>	<u>(39,807,094)</u>	<u>37,579</u>	<u>(39,769,515)</u>
<u>General Revenues</u>						
Property Taxes Levied for:						
General Purposes				26,824,465	0	26,824,465
Debt Service				700,937	0	700,937
Capital Outlay				1,349,425	0	1,349,425
Grants and Entitlements not Restricted						
to Specific Programs				11,267,142	0	11,267,142
Investment Earnings				509,191	9,201	518,392
Miscellaneous				25,371	0	25,371
Transfers				(30,800)	30,800	0
Total General Revenues				<u>40,645,731</u>	<u>40,001</u>	<u>40,685,732</u>
Change in Net Assets				838,637	77,580	916,217
Net Assets Beginning of Year				<u>15,875,590</u>	<u>432,356</u>	<u>16,307,946</u>
Net Assets End of Year				<u>\$ 16,714,227</u>	<u>\$ 509,936</u>	<u>\$ 17,224,163</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Totals</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 6,261,615	\$ 1,946,029	\$ 8,207,644
Cash in Segregated Accounts	1,165	0	1,165
Restricted Cash and Cash Equivalents	585,565	0	585,565
Investments	1,008,440	0	1,008,440
Receivables:			
Taxes	30,327,362	2,188,626	32,515,988
Accounts	34,536	400	34,936
Intergovernmental	0	7,504	7,504
Accrued Interest	18,750	0	18,750
Due from Other Funds	1,800	0	1,800
Materials and Supplies Inventory	<u>211,328</u>	<u>0</u>	<u>211,328</u>
Total Assets	<u>\$ 38,450,561</u>	<u>\$ 4,142,559</u>	<u>\$42,593,120</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 202,395	\$ 15,118	\$ 217,513
Contracts Payable	0	92,436	92,436
Accrued Wages and Benefits	2,680,075	100,846	2,780,921
Due to Other Funds	28,737	1,800	30,537
Intergovernmental Payable	1,296,008	6,504	1,302,512
Matured Compensated Absences Payable	185,991	0	185,991
Retirement Incentive Liability	73,308	0	73,308
Deferred Revenue	<u>28,635,277</u>	<u>2,063,254</u>	<u>30,698,531</u>
Total Liabilities	<u>33,101,791</u>	<u>2,279,958</u>	<u>35,381,749</u>
<u>Fund Balances</u>			
Reserved for:			
Encumbrances	616,581	775,498	1,392,079
Inventory	211,328	0	211,328
Property Taxes	1,692,085	125,372	1,817,457
Budget Stabilization	585,565	0	585,565
Unreserved, Undesignated Reported in:			
General Fund	2,243,211	0	2,243,211
Special Revenue Funds	0	195,109	195,109
Debt Service Fund	0	505,456	505,456
Capital Projects Funds	<u>0</u>	<u>261,166</u>	<u>261,166</u>
Total Fund Balances	<u>5,348,770</u>	<u>1,862,601</u>	<u>7,211,371</u>
Total Liabilities and Fund Balances	<u>\$38,450,561</u>	<u>\$ 4,142,559</u>	<u>\$42,593,120</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total Governmental Fund Balances		\$ 7,211,371
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.		15,464,038
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	<u>1,524,742</u>	
Total		1,524,742
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(35,220)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	\$ (435,541)	
Serial Bonds	(3,475,000)	
Term Bonds	(1,545,000)	
Capital Appreciation Bonds	(363,171)	
Accretion on Bonds	(261,894)	
Deferred Charges on Refunding Bonds	(81,006)	
Retirement Incentive Liability	(43,591)	
Capital Lease Payable	(60,340)	
Accrued Interest Payable	(15,729)	
Compensated Absences	<u>(1,169,432)</u>	
Total		<u>(7,450,704)</u>
Net Assets of Governmental Activities		<u>\$ 16,714,227</u>

RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property Taxes	\$ 26,333,029	\$ 2,012,888	\$ 28,345,917
Intergovernmental	11,435,691	1,883,667	13,319,358
Earnings on Investments	470,766	38,725	509,491
Tuition and Fees	941,022	809	941,831
Transportation Fees	80,883	0	80,883
Extracurricular Activities	0	515,909	515,909
Classroom Materials and Fees	362,287	0	362,287
Miscellaneous	154,448	100,396	254,844
Total Revenues	<u>39,778,126</u>	<u>4,552,394</u>	<u>44,330,520</u>
Expenditures			
Current:			
Instruction:			
Regular	18,136,751	537,455	18,674,206
Special	2,633,358	645,080	3,278,438
Other	640,132	0	640,132
Support Services:			
Pupil	1,457,064	415,364	1,872,428
Instructional Staff	1,384,460	339,635	1,724,095
Board of Education	18,227	0	18,227
Administration	4,498,565	134,242	4,632,807
Fiscal	1,021,820	24,658	1,046,478
Business	101,990	0	101,990
Operation and Maintenance of Plant	4,852,131	517,625	5,369,756
Pupil Transportation	4,795,463	217,839	5,013,302
Central	16,098	48,489	64,587
Operation of Non-Instructional Services:			
Food Service Operations	28,598	0	28,598
Community Services	33,583	45,037	78,620
Extracurricular Activities	364,874	394,026	758,900
Capital Outlay	0	344,648	344,648
Debt Service:			
Principal Retirement	0	438,823	438,823
Interest and Fiscal Charges	0	438,857	438,857
Total Expenditures	<u>39,983,114</u>	<u>4,541,778</u>	<u>44,524,892</u>
Excess of Revenues Over (Under) Expenditures	<u>(204,988)</u>	<u>10,616</u>	<u>(194,372)</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	1,168	0	1,168
Transfers In	12,062	400,480	412,542
Transfers Out	(368,115)	(75,227)	(443,342)
Total Other Financing Sources (Uses)	<u>(354,885)</u>	<u>325,253</u>	<u>(29,632)</u>
Net Change in Fund Balances	(559,873)	335,869	(224,004)
Fund Balances Beginning of Year	5,879,633	1,526,732	7,406,365
Increase in Reserve for Inventory	29,010	0	29,010
Fund Balances End of Year	<u>\$ 5,348,770</u>	<u>\$ 1,862,601</u>	<u>\$ 7,211,371</u>

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds \$ (224,004)

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 capital outlays exceeded depreciation in the current period.

Capital Additions	\$ 841,378	
Current Year Depreciation	<u>(824,656)</u>	
Total		16,722

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the difference.

Gain (Loss) on Disposal of Capital Assets	<u>(14,720)</u>	
Total		(14,720)

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

Taxes	528,914	
Total		528,914

Amortization of deferred charges on refunding bonds.		10,126
--	--	--------

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		438,823
--	--	---------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(2,354)
--	--	---------

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Compensated Absences Payable	(193,930)	
Change in Inventory	29,010	
Capital Lease Payable	57,146	
Retirement Incentive Liability	(18,780)	
Bond Accretion	<u>154,066</u>	
Total		27,512

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

		<u>57,618</u>
--	--	---------------

Change in Net Assets of Governmental Activities		<u><u>\$ 838,637</u></u>
--	--	--------------------------

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$26,483,168	\$26,508,216	\$27,109,997	\$ 601,781
Intergovernmental	11,494,408	11,505,280	11,435,691	(69,589)
Earnings on Investments	299,717	300,000	466,479	166,479
Tuition and Fees	531,497	532,000	820,316	288,316
Transportation Fees	69,934	70,000	78,728	8,728
Classroom Materials and Fees	297,718	298,000	362,133	64,133
Miscellaneous	53,450	53,500	147,708	94,208
Total Revenues	<u>39,229,892</u>	<u>39,266,996</u>	<u>40,421,052</u>	<u>1,154,056</u>
Expenditures				
Current:				
Instruction:				
Regular	18,842,266	18,885,726	18,166,968	718,758
Special	2,805,113	2,806,113	2,507,252	298,861
Other	666,374	666,374	645,233	21,141
Support Services:				
Pupil	1,567,151	1,617,151	1,634,496	(17,345)
Instructional Staff	1,264,606	1,395,037	1,334,208	60,829
Board of Education	21,585	21,585	18,227	3,358
Administration	4,105,788	4,105,788	4,408,973	(303,185)
Fiscal	1,171,587	1,115,204	1,173,513	(58,309)
Business	109,490	109,490	101,990	7,500
Operation and Maintenance of Plant	4,903,927	4,903,927	4,976,646	(72,719)
Pupil Transportation	4,679,375	4,984,128	4,878,188	105,940
Central	30,275	30,275	23,304	6,971
Operation of Non-Instructional Services	67,360	67,360	60,355	7,005
Extracurricular Activities	371,250	377,342	364,886	12,456
Total Expenditures	<u>40,606,147</u>	<u>41,085,500</u>	<u>40,294,239</u>	<u>791,261</u>
Excess of Revenue Over (Under) Expenditures	<u>(1,376,255)</u>	<u>(1,818,504)</u>	<u>126,813</u>	<u>1,945,317</u>
Other Financing Sources (Uses)				
Transfers In	0	0	12,062	12,062
Advances In	0	0	750	750
Proceeds from Sale of Assets	0	0	1,168	1,168
Refund of Prior Year Expenditures	0	0	103,063	103,063
Transfers Out	(150,000)	(250,000)	(368,115)	(118,115)
Advances Out	(50,000)	(50,000)	(1,800)	48,200
Contingencies	(50,000)	(50,000)	0	50,000
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>(350,000)</u>	<u>(252,872)</u>	<u>97,128</u>
Net Change in Fund Balance	<u>(1,626,255)</u>	<u>(2,168,504)</u>	<u>(126,059)</u>	<u>2,042,445</u>
Fund Balance at Beginning of Year	6,249,923	6,249,923	6,249,923	0
Prior Year Encumbrances Appropriated	<u>1,042,749</u>	<u>1,042,749</u>	<u>1,042,749</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,666,417</u>	<u>\$ 5,124,168</u>	<u>\$ 7,166,613</u>	<u>\$ 2,042,445</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

	<u>Business- Type Activities Nonmajor Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
<u>Assets</u>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 416,975	\$ 0
Cash with Fiscal Agent	0	1,220,805
Accounts Receivable	50	0
Inventory	18,138	0
Due from Other Funds	28,737	0
Total Current Assets	<u>463,900</u>	<u>1,220,805</u>
Noncurrent Assets:		
Depreciable Capital Assets, Net	<u>177,279</u>	<u>0</u>
Total Noncurrent Assets	<u>177,279</u>	<u>0</u>
Total Assets	<u>\$ 641,179</u>	<u>\$ 1,220,805</u>
<u>Liabilities</u>		
Accounts Payable	\$ 5,657	\$ 0
Contracts Payable	0	660,009
Accrued Wages and Benefits	34,432	0
Intergovernmental Payable	56,018	0
Claims Payable	0	596,016
Matured Compensated Absences Payable	10,933	0
Compensated Absences Payable	989	0
Total Current Liabilities	<u>108,029</u>	<u>1,256,025</u>
Long-Term Liabilities:		
Compensated Absences Payable	<u>23,214</u>	<u>0</u>
Total Liabilities	<u>131,243</u>	<u>1,256,025</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	177,279	0
Unrestricted (Deficit)	<u>332,657</u>	<u>(35,220)</u>
Total Net Assets	<u>\$ 509,936</u>	<u>\$ (35,220)</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Business- Type <u>Activities</u> Nonmajor Enterprise <u>Funds</u>	Governmental <u>Activities</u> Internal Service <u>Fund</u>
<u>Operating Revenues</u>		
Food Services	\$ 1,077,125	\$ 0
Charges for Services	0	4,835,632
Miscellaneous Revenue	<u>339,819</u>	<u>0</u>
Total Operating Revenues	<u>1,416,944</u>	<u>4,835,632</u>
<u>Operating Expenses</u>		
Salaries and Wages	714,918	0
Fringe Benefits	275,009	4,778,014
Purchased Services	79,419	0
Materials and Supplies	839,032	0
Depreciation	<u>20,692</u>	<u>0</u>
Total Operating Expenses	<u>1,929,070</u>	<u>4,778,014</u>
Operating Income (Loss)	<u>(512,126)</u>	<u>57,618</u>
<u>Non-Operating Revenues</u>		
Earnings on Investments	9,201	0
Federal and State Subsidies	457,242	0
Donated Commodities	<u>92,463</u>	<u>0</u>
Total Non-Operating Revenues	<u>558,906</u>	<u>0</u>
Changes in Net Assets before Transfers	<u>46,780</u>	<u>57,618</u>
Transfers In	30,800	0
Change in Net Assets	77,580	57,618
Net Assets Beginning of Year	<u>432,356</u>	<u>(92,838)</u>
Net Assets End of Year	<u>\$ 509,936</u>	<u>\$ (35,220)</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Business- Type Activities Nonmajor Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
<i>Increase in Cash and Cash Equivalents</i>		
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 1,091,126	\$ 4,835,632
Cash Received from Other Operating Sources	325,768	0
Cash Payments to Suppliers for Goods and Services	(829,156)	0
Cash Payments to Employees for Services	(657,481)	0
Cash Payments to Employee Benefits	(272,165)	0
Cash Payments for Claims	0	(4,693,109)
Net Cash Provided by (Used for) Operating Activities	<u>(341,908)</u>	<u>142,523</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Receipts for Federal and State Subsidies	521,197	0
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>521,197</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Payments for Capital Acquisition	(29,800)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(29,800)</u>	<u>0</u>
<u>Cash Flows for Operating Transfers</u>		
Transfers In	30,800	0
Net Increase in Cash and Cash Equivalents	<u>30,800</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	180,289	142,523
Cash and Cash Equivalents, Beginning of Year	236,686	1,078,282
Cash and Cash Equivalents, End of Year	<u>\$ 416,975</u>	<u>\$ 1,220,805</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>		
Operating Income (Loss)	\$ (512,126)	\$ 57,618
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	20,692	0
Federal Donated Commodities	92,463	0
(Increase) Decrease in Assets:		
Accounts Receivable	(50)	0
Inventory	(3,109)	0
Increase (Decrease) in Liabilities:		
Accounts Payable	(59)	0
Accrued Wages and Benefits	(30,873)	0
Interfund Payable	0	49,529
Intergovernmental Payable	56,018	0
Matured Compensated Absences Payable	10,933	0
Compensated Absences Payable	24,203	0
Claims Payable	0	35,376
Total Adjustments	<u>170,218</u>	<u>84,905</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (341,908)</u>	<u>\$ 142,523</u>

Schedule of Noncash Financing Activities

During the year 2008, Food Services Fund received noncash items of Donated Commodities of \$92,463.

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 581,462
Cash in Segregated Accounts	7,773
Accounts Receivable	4,384
Due from Other Governments	<u>3,184</u>
Total Assets	<u>\$ 596,803</u>
<u>Liabilities</u>	
Due to Other Governments	\$ 460,116
Due to Employees	7,773
Due to Students	<u>128,914</u>
Total Liabilities	<u>\$ 596,803</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1: DESCRIPTION OF THE DISTRICT

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

Average daily membership was 4,514. The District employed 297 certificated employees and 279 classified employees. It currently operates six elementary schools, a middle school, a junior high school, and a high school.

The Reporting Entity

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

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

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

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

The District is associated with two jointly governed organizations. These organizations are discussed in Note 14 to the basic financial statements. These organizations are the Ohio Schools' Council Association and the Lake Geauga Computer Association (LGCA).

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

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

A. **Fund Accounting**

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

Governmental Funds

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

A. **Fund Accounting** (Continued)

Governmental Funds (Continued)

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

Proprietary Fund Types

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

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

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

Fiduciary Fund Types

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has three agency funds: the Student Activities fund, the East Shore Activity fund, and the Employee Flexible Spending fund.

B. **Basis of Presentation**

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

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

Government-wide Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

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

Fund Financial Statements (Continued)

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

Fiduciary funds are reported using the economic resources measurement focus.

C. **Basis of Accounting**

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

Revenues – Exchange and Non-Exchange Transactions

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

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

Revenues – Exchange and Non-Exchange Transactions (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

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

Expenses/Expenditures

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

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

D. **Cash and Cash Equivalents**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements. The District’s internal service fund had a balance of \$1,220,805 with the Lake County Council of Governments Health Care Benefits Program, a claim servicing pool (See Note 13). The balance in this account is presented on the internal service fund financial statements as “Cash with Fiscal Agent”.

The District has segregated bank accounts for monies held separate from the District’s central bank account. These interest bearing depository accounts are presented in the basic financial statements as “Cash in Segregated Accounts” since they are not required to be deposited into the District’s treasury.

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and U.S. Government Securities.

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

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2008.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

D. Cash and Cash Equivalents (Continued)

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$470,766. The amount allocated from the other funds during fiscal year 2008 amounted to \$79,079.

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

E. Restricted Assets

Restricted assets represent cash and cash equivalents and other current assets whose use is limited by legal requirements. Restricted assets in the general fund include amounts required by statute to be set aside for the purchase of textbooks and other instructional material and the creation of a reserve for budget stabilization. See Note 18 for calculation of year end reserve balances.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed. The District has no prepaid expenses as of June 30, 2008.

G. Inventory

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (CONTINUED)**

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

G. Inventory (Continued)

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

I. Interfund Transactions

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

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

K. Accrued Liabilities and Long-Term Obligations (Continued)

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

L. Fund Balance Reserves

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

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

M. Net Assets

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

N. Operating Revenues and Expenses

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

O. Contributions of Capital

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

P. Extraordinary and Special Items

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

Q. Estimates

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

R. Budgetary Data

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

R. **Budgetary Data** (Continued)

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

Tax Budget

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

Estimated Resources

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2008.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

R. **Budgetary Data** (Continued)

Appropriations

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

Encumbrances

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

Lapsing of Appropriations

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (CONTINUED)**

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP) and Actual - 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 GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance - General Fund	
GAAP Basis	\$ (559,873)
Net Adjustments for Revenue Accruals	746,739
Net Adjustments for Expenditure Accruals	368,697
Adjustments for Encumbrances	(681,622)
Budget Basis	\$ (126,059)

NOTE 4: DEPOSITS AND INVESTMENTS

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

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

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

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

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

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

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

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

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

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

The following disclosures are based on the criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*.

Cash on Hand

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

Deposits

At June 30, 2008, the carrying amount of the District's deposits was \$9,790,022 and the bank balance was \$10,601,427, not including cash with fiscal agent of \$1,220,805 and Cash in Segregated Accounts of \$8,938. Of the District's bank balance, \$200,000 was covered by Federal Depository Insurance and \$10,401,427 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)

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

Investments

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

Cash and investments at year-end were as follows:

<u>Cash and Investments</u>	<u>Fair Value</u>	<u>Credit Rating (*)</u>	<u>Investment Maturities (in Years)</u>	
			<u>< 1</u>	<u>1-2</u>
STAROhio	\$ 1,374	AAA	\$ 1,374	\$ 0
U.S. Government Securities	1,008,440	AAA	0	1,008,440
Carrying Amount of Deposits	9,790,022		0	0
Petty Cash	250		0	0
Cash in Segregated Accounts	8,938		0	0
Cash with Fiscal Agent	<u>1,220,805</u>		<u>0</u>	<u>0</u>
Total	<u>\$ 12,029,829</u>		<u>\$ 1,374</u>	<u>\$ 1,008,440</u>

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

Interest Rate Risk

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

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

Interest Rate Risk (Continued)

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

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer of the District's total investments, 99.9 percent are in U.S. Government Securities.

NOTE 5: **PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Property tax revenue received during calendar 2008 for real and public utility property taxes represents collections of calendar 2007 taxes. Property tax payments received during calendar 2008 for tangible personal property (other than public utility property) is for calendar 2008 taxes.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 5: PROPERTY TAXES (Continued)

2008 real property taxes are levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance fiscal year 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes are levied after April 30, 2008 on the assessed value as of December 31, 2007, the lien date, and are collected in 2008 with real property taxes.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to 0 percent for 2009.

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

	2007		2008	
	<u>Second-Half Collections</u>		<u>First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 987,445,000	94.14%	\$ 1,021,326,520	95.55%
Public Utility	21,303,240	2.03%	17,429,670	1.63%
Tangible Personal Property	<u>40,217,678</u>	<u>3.83%</u>	<u>30,098,424</u>	<u>2.82%</u>
	<u>\$ 1,048,965,918</u>	<u>100.00%</u>	<u>\$ 1,068,854,614</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$ 53.83		\$ 55.25	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 5: **PROPERTY TAXES** (Continued)

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

The District receives property taxes from Lake County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Riverside Local School District. The County Auditor periodically remits to the District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30th is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2008, was \$1,817,457 and is recognized as revenue. \$1,692,085 was available to the general fund. \$41,768 was available to the bond retirement fund, and \$83,604 was available to the permanent improvement capital projects fund.

NOTE 6: **LAKE COUNTY SCHOOL FINANCING DISTRICT**

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 6: **LAKE COUNTY SCHOOL FINANCING DISTRICT** (Continued)

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

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

This space intentionally left blank.

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 7: CAPITAL ASSETS

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

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/08</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,495,805	\$ 0	\$ 0	\$ 1,495,805
Construction In Progress	<u>0</u>	<u>40,000</u>	<u>0</u>	<u>40,000</u>
<i>Total Capital Assets, not being depreciated</i>	<u>1,495,805</u>	<u>40,000</u>	<u>0</u>	<u>1,535,805</u>
<i>Capital Assets being depreciated:</i>				
Land Improvements	2,661,508	6,260	0	2,667,768
Buildings and Improvements	14,488,795	169,624	0	14,658,419
Furniture, Fixtures, and Equipment	3,900,811	554,509	(131,216)	4,324,104
Vehicles	4,302,894	70,985	(1,700)	4,372,179
<i>Total Capital Assets being depreciated</i>	<u>25,354,008</u>	<u>801,378</u>	<u>(132,916)</u>	<u>26,022,470</u>
Total Capital Assets at Historical Cost	<u>26,849,813</u>	<u>841,378</u>	<u>(132,916)</u>	<u>27,558,275</u>
Less Accumulated Depreciation:				
Land Improvements	(742,773)	(107,419)	0	(850,192)
Buildings and Improvements	(5,853,737)	(278,756)	0	(6,132,493)
Furniture, Fixtures, and Equipment	(2,928,158)	(156,771)	117,128	(2,967,801)
Vehicles	(1,863,109)	(281,710)	1,068	(2,143,751)
Total Accumulated Depreciation	<u>(11,387,777)</u>	<u>(824,656)</u>	<u>118,196</u>	<u>(12,094,237)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>13,966,231</u>	<u>(23,278)</u>	<u>(14,720)</u>	<u>13,928,233</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,462,036</u>	<u>\$ 16,722</u>	<u>\$ (14,720)</u>	<u>\$ 15,464,038</u>
Business-Type Activities				
Furniture and Equipment	\$ 360,124	\$ 29,800	\$ 0	\$ 389,924
Less Accumulated Depreciation	<u>(191,953)</u>	<u>(20,692)</u>	<u>0</u>	<u>(212,645)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 168,171</u>	<u>\$ 9,108</u>	<u>\$ 0</u>	<u>\$ 177,279</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 306,247
Support Services:	
Board of Education	3,312
Administration	25,508
Fiscal	2,551
Operation and Maintenance of Plant	124,911
Pupil Transportation	255,045
Operation of Non-Instructional Services	
Food Services	15,553
Extracurricular Activities	91,529
Total Depreciation Expense	<u>\$ 824,656</u>

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 8: LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2008 were as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/08</u>	<u>Amounts Due</u> <u>in One Year</u>
<u>Governmental Activities</u>					
General Obligation Bonds					
2005 - 5.33%	\$ 472,535	\$ 0	\$ (36,994)	\$ 435,541	\$ 38,966
<u>School Improvement Refunding:</u>					
2003 Serial Bonds - 2.00-3.15%	3,475,000	0	0	3,475,000	0
2003 Term Bonds - 4.00%	1,545,000	0	0	1,545,000	0
2003 Capital Appreciation					
Bonds - 11.18%	401,829	0	(401,829)	0	0
2003 Capital Appreciation					
Bonds - 11.18%	363,171	0	0	363,171	363,171
Total School Improvement					
Refunding Bonds	5,785,000	0	(401,829)	5,383,171	363,171
Accretion on Capital Appreciation					
Bonds	415,960	99,105	(253,171)	261,894	0
Deferred Charges on					
Refunded Bonds	91,132	0	(10,126)	81,006	10,126
Retirement Incentive Liability	24,811	43,591	(24,811)	43,591	43,591
Capital Lease Payable	117,486	0	(57,146)	60,340	60,340
Compensated Absences	975,502	580,830	(386,900)	1,169,432	463,816
Total Governmental Long-					
 Term Liabilities	<u>\$7,882,426</u>	<u>\$ 723,526</u>	<u>\$(1,170,977)</u>	<u>\$ 7,434,975</u>	<u>\$ 980,010</u>
<u>Business-Type Activities</u>					
Compensated Absences	<u>\$ 0</u>	<u>\$ 42,195</u>	<u>\$ (17,992)</u>	<u>\$ 24,203</u>	<u>\$ 989</u>

All bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a .74 mill bonded debt tax levy. Compensated absences and retirement payout will be paid from the fund from which the employees' salaries are paid. The capital lease will be paid from the general fund. See Note 9 for more detail.

Principal and interest requirements to retire bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30	<u>General Obligation Bonds</u>		<u>School Improvement Bonds</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 38,966	\$ 23,214	\$ 363,171	\$ 457,335	\$ 402,137	\$ 480,549
2010	41,042	21,137	660,000	152,745	701,042	173,882
2011	43,230	18,950	675,000	136,046	718,230	154,996
2012	45,534	16,646	690,000	116,752	735,534	133,398
2013	47,961	14,219	715,000	95,677	762,961	109,896
2014-2018	218,808	20,632	2,280,000	135,676	2,498,808	156,308
Totals	<u>\$ 435,541</u>	<u>\$ 114,798</u>	<u>\$ 5,383,171</u>	<u>\$ 1,094,231</u>	<u>\$ 5,818,712</u>	<u>\$ 1,209,029</u>

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (CONTINUED)**

NOTE 8: **LONG-TERM OBLIGATIONS** (Continued)

Prior Years' Debt Defeasance

In prior years, the District has defeased the 1993 General Obligation Bond by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2008, the amount of defeased debt outstanding amounted to \$5,690.00.

NOTE 9: **CAPITAL LEASE OBLIGATION**

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

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

Year Ending	
<u>June 30</u>	
2009	\$ <u>63,713</u>
Minimum Lease Payments	63,713
Less: Amount Representing Interest	<u>(3,373)</u>
Present Value of Net Lease Payments	<u>\$ 60,340</u>

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (CONTINUED)**

NOTE 10: COMPENSATED ABSENCES

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

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not eligible	Per contract	1-9 days for each month worked for less than 1 year of service; 10-25 days depending on length of service after 1 year of service.
Maximum Accumulation	Not applicable	60 days	10 days
Vested	Not applicable	As earned	As earned
Termination Entitlement	Not applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u>			
How earned	1-1/4 days per month employment (15 days per year)	1-1/4 days per month employment (15 days per year)	1-1/4 days per month of employment (15 days per year)
Maximum Accumulation	285 days	285 days	269 days
Vested	As earned	As earned	As earned
Termination Entitlement	1/4 of accumulated sick leave up to 60 days	1/4 of accumulated sick leave up to 60 days	1/4 of accumulated sick leave up to 67.25 days

NOTE 11: DEFINED BENEFIT PENSION PLANS

State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone comprehensive annual financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771 or by calling toll-free 1-888-227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. Defined Contribution and Combined Plan members will transfer to the Defined Benefit plan during their fifth year of membership unless they permanently select the Defined Contribution or Combined Plan.

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 11: **DEFINED BENEFIT PENSION PLANS** (Continued)

State Teachers Retirement System (Continued)

The Defined Benefit Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who had (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit” the retirement allowance is based on years of credited service and final average salary, which is the average of the members’ three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent with an additional one-tenth of a percent added to the calculation for every year over 31 years until 100 percent of the final average salary is reached. For members with 35 or more years of Ohio contributing services, the first 30 years will be calculated at 2.5 percent. Under the “money-purchase benefit”, members’ lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3 percent of the original base amount.

The Defined Contribution Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the Defined Contribution Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members’ designated beneficiary is entitled to receive the members’ account balance.

The Combined Plan offers features of the Defined Contribution Plan and the Defined Benefit Plan. Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular Defined Benefit Plan. Plan members’ defined benefit is determined by multiplying 1 percent of the members’ final average salary by the members’ years of service credit. The defined benefit portion of the Combined Plan is payable to members on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 11: **DEFINED BENEFIT PENSION PLANS** (Continued)

State Teachers Retirement System (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

For fiscal year ended June 30, 2008 members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent. Member and employer contributions were 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 provided by Chapter 3307 of the Ohio Revised Code. Of the 14 percent contributed by the District, 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$2,277,545, \$2,193,638 and \$2,146,425, respectively; 82.83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Member and employer contributions actually made for the Defined Contribution and Combined Plan participants will be provided upon written request.

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report can be obtained by contacting SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free 1-800-878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 11: **DEFINED BENEFIT PENSION PLANS** (Continued)

School Employees Retirement System (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required pension contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$581,314, \$589,104 and \$546,233, respectively; 50.89 percent has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007 and 2006.

NOTE 12: **POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

Ohio law authorizes STRS to offer a cost-sharing, multiple employer health care plan to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement on monthly Medicare Part B premiums.

Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2008, 2007 and 2006 the District's contributions to post-employment health care were \$175,196, \$168,741 and \$159,888, respectively; 82.83 percent has been contributed for 2008 and 100 percent for fiscal years 2007 and 2006.

SERS administers two post-employment benefit plans, the Medicare Part B Plan and the Health Care Plan as permitted by Ohio Revised Code Sections 3309.69 and 3309.375. The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees and beneficiaries. The Health Care Plan provides health care and prescription drug plans administered by two third-party administrators. The Retirement Board establishes rules for premiums paid by retirees for health care coverage and varies depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 12: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

The Medicare Part B premium reimbursement plan reimburses eligible retirees for the lesser of January 1, 1999 Medicare Part B premiums or the current premium. The Medicare Part B premium for calendar year 2007 (most recent information available) was \$93.50. SERs' reimbursement to retirees was \$45.50. The Retirement Board, with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2008 the actuarially required allocation was .66 percent. For the fiscal year ended June 30, 2008, 2007 and 2006 the District's contributions to Medicare Part B were \$41,885, \$40,059 and \$43,476 respectively; 47.43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Health Care Plan is funded through employer contributions. Each year after allocation for required benefits the Retirement Board allocates the remainder of the employers' 14 percent contribution. At June 30, 2008 the health care allocation was 4.18 percent. The actuarially required contribution (ARC), as of December 31, 2006 annual valuation, was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

For fiscal years ended June 30, 2008, 2007 and 2006 District contributions to the Health Care Plan, including the surcharge, were \$394,818, \$285,939 and \$313,896, respectively; 50.89 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (CONTINUED)**

NOTE 13: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the District contracted with Netherlands Insurance Company for property and general liability insurance. There is a \$5,000 deductible with a 90 percent co-insurance limit of \$82,034,962.

Commercial umbrella liability is protected by the Netherlands Insurance Company with a \$2,000,000 single and \$2,000,000 aggregate occurrence limit with a \$10,000 deductible. Vehicles are also covered by Netherlands Insurance Company and have a \$250 deductible for comprehensive collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage any of the past three years.

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

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

The June 30, 2008 claims liability and cash with fiscal agent are determined based on the percentage of the District's participants to total pool participants. For the year ended June 30, 2008, the pool's cash reserves and claims liability were \$6,224,711 and \$3,039,000, respectively. The District's allocated pool percentage for the year ended June 30, 2008 was 19.6 percent, which represents \$1,220,805 and \$596,016 of pooled cash reserves and claims liabilities, respectively.

	<u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
June 30, 2006	\$ 540,143	\$ 3,544,969	\$ 3,673,968	\$ 411,144
June 30, 2007	\$ 411,144	\$ 4,238,277	\$ 4,088,781	\$ 560,640
June 30, 2008	\$ 560,640	\$ 4,728,485	\$ 4,693,109	\$ 596,016

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 14: JOINTLY GOVERNED ORGANIZATION

The Lake Geauga Computer Association (LGCA) is a jointly governed organization among two county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LGCA based upon a per pupil charge. The District contributed \$238,722 to LGCA during fiscal year 2008. LGCA is governed by an Assembly consisting of two representatives from each participating school district. The degree of control exercised by any participating school district is limited to its representation to the Assembly. Financial information can be obtained by contacting the Treasurer at the Geauga County Educational Service Center, who serves as the fiscal agent, at 470 Center Street, Chardon, Ohio 44024.

The Ohio Schools' Council Association (Council) is a jointly governed organization among one hundred seventy-seven school districts. This jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council also sponsors a workers' compensation group rating plan which is an insurance purchasing pool. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating school districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2008, the District paid \$2,502 to the Council. Financial information can be obtained by contacting David Cottrell, Executive Director, at the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 15: **CONTINGENCIES**

A. **Grants**

The District received financial assistance from federal, state, and local agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

B. **Litigation**

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

C. **Property Tax Refunds**

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

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

NOTE 16: **STATE SCHOOL FUNDING DECISION**

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (CONTINUED)**

NOTE 17: INTERFUND TRANSACTIONS

As of June 30, 2008, interfund transfers were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 12,062	\$ 368,115
Nonmajor Governmental Funds	400,480	75,227
Nonmajor Enterprise Fund	30,800	0
Totals	<u>\$ 443,342</u>	<u>\$ 443,342</u>

Transfers of \$62,180, representing property tax levy funds coming into the District, were made from the permanent improvement levy fund to various nonmajor governmental funds.

All of the other transfers were made to provide additional resources for current operations. Transfers of \$412,542 were eliminated since they were within the governmental-type activity.

As of June 30, 2008, Internal balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue - Vocational Education Enhancement	\$ 1,800
Food Service	General Fund	<u>28,737</u>
		<u>\$ 30,537</u>

The amounts payable to the general fund relate to working capital loans made to the Vocational Education Enhancement fund until funds are received. The general fund payable of \$28,737 to the food service fund for interest income is to be paid in the subsequent year.

NOTE 18: SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside in the general fund an amount on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds and the District's past required contributions continue to be a set-aside.

**RIVERSIDE LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (CONTINUED)**

NOTE 18: SET ASIDE REQUIREMENTS (Continued)

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of June 30, 2007	\$ (1,646,327)	\$ 0	\$ 585,565
Current Year Set-Aside Requirements	721,054	721,054	0
Qualifying Disbursements	(1,241,853)	(2,338,645)	0
Total	<u>\$ (2,167,126)</u>	<u>\$ (1,617,591)</u>	<u>\$ 585,565</u>
Set-Aside Balances Carried Forward to Future Years	\$ (2,167,126)	\$ 0	\$ 585,565
Set-Aside Reserve Balance as of June 30, 2008	<u>\$ (2,167,126)</u>	<u>\$ 0</u>	<u>\$ 585,565</u>

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

NOTE 19: OSBA WORKERS' COMPENSATION GROUP RATING PROGRAM

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

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

RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 20: CHANGES IN ACCOUNTING PRINCIPLES

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*. The District has determined that the adoption of this statement did not have an impact on the District's financial statements; however, note disclosures related to postemployment benefits have been modified.

The following other pronouncements have been issued by the GASB and have been adopted by the District; however, the District has not incurred any of the transactions described below and as a result there has been no impact on the financial statements or note disclosures for the current period:

- In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.
- In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*. The information is not yet available from the retirement systems for the implementation of GASB 50.

NOTE 21: COMPLIANCE AND ACCOUNTABILITY

Fund Deficits

The following funds had deficit fund balances or deficit net assets as of June 30, 2008:

Special Revenue Funds

Ohio Reads	\$ 5,146
Vocational Education Enhancement	125
Title I	12,034
IDEA Preschool Grant	8,570
Improving Teacher Quality	4,212

Internal Service Fund

Employee Benefits Self-Insurance	35,220
----------------------------------	--------

The deficits in the above funds resulted from recognition of accrued liabilities. The general fund is responsible to cover deficit fund balances by means of a transfer. However, this is done when cash is needed rather when accruals occur.

**RIVERSIDE LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
Passed through State Department of Education						
Food Distribution Program	10.550	Not Available	\$ 0	\$ 92,463	\$ 0	\$ 92,463
<i>Child Nutrition Cluster</i>						
School Breakfast Program	10.553	047894-05-PU	124,058	0	124,058	0
School Lunch Program	10.555	047894-LLP4	381,126	0	381,126	0
<i>Total Child Nutrition Cluster</i>			<u>505,184</u>	<u>0</u>	<u>505,184</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>505,184</u>	<u>92,463</u>	<u>505,184</u>	<u>92,463</u>
U.S. Department of Health and Human Services						
Passed through Ohio Department of MR/DD						
Community Alternative Funding System	93.778	Not Available	17,347	0	17,347	0
Total U.S. Department of Health and Human Services			<u>17,347</u>	<u>0</u>	<u>17,347</u>	<u>0</u>
U.S. Department of Education						
Passed through State Department of Education						
Title I School Subsidy	84.010	047894-C1-S1-2007	300,486	0	267,969	0
<i>Special Education Cluster</i>						
SE-IDEA Part B FY 07	84.027	047894-6BSF-2007-P	(40,301)	0	29,271	0
SE-IDEA Part B FY 08	84.027	047894-6BSF-2008-P	937,526	0	885,355	0
			<u>897,225</u>	<u>0</u>	<u>914,626</u>	<u>0</u>
Early Childhood SE IDEA FY 08	84.173	047894-PGS1-2008-P	30,272	0	30,272	0
<i>Total Special Education Cluster</i>			<u>927,497</u>	<u>0</u>	<u>944,898</u>	<u>0</u>
Title IV-A Safe/Drug Free	84.186	047894-DR-S1-2008	7,307	0	7,003	0
Title V FY07	84.298	047894-C2S1-2007	(137)	0	839	0
Title V FY08	84.298	047894-C2S1-2008	6,613	0	6,492	0
			<u>6,476</u>	<u>0</u>	<u>7,331</u>	<u>0</u>
Title II-D Technology FY07	84.318	047894-TJS1-2007	(275)	0	81	0
Title II-D Technology FY08	84.318	047894-TJS1-2008	3,743	0	3,615	0
			<u>3,468</u>	<u>0</u>	<u>3,696</u>	<u>0</u>
Title II-A FY07	84.367	047894-TRS1-2007	6,394	0	15,736	0
Title II-A FY08	84.367	047894-TRS1-2008	126,456	0	117,183	0
			<u>132,850</u>	<u>0</u>	<u>132,919</u>	<u>0</u>
Total U.S. Department of Education			<u>1,378,084</u>	<u>0</u>	<u>1,363,816</u>	<u>0</u>
U.S. Department of Homeland Security						
Passed through Ohio Emergency Management Agency						
Public Assistance Program	97.036	FEMA-EM-3286-OH	6,504	0	6,504	0
Total U.S. Department of Homeland Security			<u>6,504</u>	<u>0</u>	<u>6,504</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$1,907,119</u>	<u>\$ 92,463</u>	<u>\$1,892,851</u>	<u>\$ 92,463</u>

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

**RIVERSIDE LOCAL SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008**

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: NONCASH SUPPORT

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

NOTE 3: NEGATIVE CASH RECEIPTS

The negative cash receipt amounts represent carryover of funds to the subsequent fiscal year which were approved by the respective funding source. In addition, the Early Childhood SE IDEA FY 08 Grant includes the Early Childhood SE IDEA FY07 Grant which had an approved carryover of funds of \$716.

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

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Education
Riverside Local School District
Painesville Township, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the Riverside Local School District, Ohio's basic financial statements and have issued our report thereon dated November 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Riverside Local School District, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Riverside Local School District, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Riverside Local School District, Ohio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Riverside Local School District, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Riverside Local School District, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Riverside Local School District, Ohio's internal control.

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

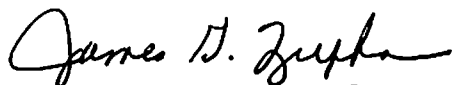
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Riverside Local School District, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Riverside Local School District, Ohio, in a separate letter dated November 7, 2008.

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



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

November 7, 2008

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

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Education
Riverside Local School District
Painesville Township, Ohio

Compliance

We have audited the compliance of Riverside Local School District, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The Riverside Local School District, Ohio's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Riverside Local School District, Ohio's management. Our responsibility is to express an opinion on the Riverside Local School District, Ohio's compliance based on our audit.

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

Internal Control Over Compliance

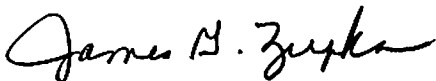
The management of the Riverside Local School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the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

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

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

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

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



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

November 7, 2008

**RIVERSIDE LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

2008(i)	Type of Financial Statement Opinion	Unqualified
2008(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2008(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2008(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2008(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2008(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2008(v)	Type of Major Program's Compliance Opinion	Unqualified
2008(vi)	Are there any reportable findings under .510?	No
2008(vii)	Major Programs (list):	
	Child Nutrition Cluster:	
	School Breakfast Program	CFDA#10.553
	School Lunch Program	CFDA#10.555
2008(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2008(ix)	Low Risk Auditee?	Yes

**RIVERSIDE LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2008
(CONTINUED)**

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

None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**RIVERSIDE LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or No Longer Valid; <i>Explain</i>
2007-001	Accretion On Refunding Bonds	Yes	
2007-002	Expenditures Exceeding Appropriations	Yes	

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Mary Taylor, CPA
Auditor of State

RIVERSIDE LOCAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 24, 2008**