

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**





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, 2009 through June 30, 2010. 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 16, 2010

**This Page is Intentionally Left Blank.**

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2010**

---

---

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	11-12
Balance Sheet - Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	17
Statement of Fund Net Assets - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	21
Notes to the Basic Financial Statements	22-55
Schedule of Expenditures of Federal Awards	56
Notes to the Supplemental Schedule of Expenditures of Federal Awards	57
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58-59
Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	60-61
Schedule of Findings and Questioned Costs	62
Schedule of Prior Audit Findings and Recommendations	63

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> 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  
Painesville, Ohio

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, the major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, Ohio, as of and for the year ended June 30, 2010, 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.

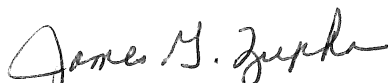
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, the major fund, and the aggregate remaining fund information of the Riverside Local School District, Ohio, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010, 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 and 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Riverside Local School District, Ohio's financial statements as a whole. 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 financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

October 15, 2010

# Riverside Local School District

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

*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 year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the District's financial performance.

## **Financial Highlights**

Key financial highlights for 2010 are:

- Net assets of governmental activities slightly decreased by \$36,758.
- General revenues accounted for \$42,084,156 in revenue or 88 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,974,082 or 12 percent of total revenues of \$48,058,238.
- Total assets of governmental activities decreased by \$5,802,868 as cash and cash equivalents decreased by \$2,524,094, along with a decrease in property taxes receivable of \$3,739,853. These decreases were offset by slight increases in investments and capital assets.
- The District had \$46,161,293 in expenses related to governmental activities; \$4,045,948 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$42,083,954 were inadequate to provide for these programs.
- The District has one major fund: the General Fund. The General Fund had \$40,423,708 (includes other financing sources) in revenues and \$41,879,208 (includes other financing uses) in expenditures. The General Fund's balance decreased to \$2,523,729 from \$3,964,266.

## **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 provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements also look at the District's most



# **Riverside Local School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

*Unaudited*

---

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.

## ***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 2010?" 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 net 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, supporting 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 Fund 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 13 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.

**Riverside Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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

**The 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 2010 compared to 2009:

**Table 1 - Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>ASSETS</b>						
Current and other assets	\$ 32,990,095	\$ 38,942,794	\$ 422,605	\$ 386,260	\$33,412,700	\$39,329,054
Capital assets, net	15,702,567	15,552,736	349,574	365,152	16,052,141	15,917,888
<b>Total Assets</b>	48,692,662	54,495,530	772,179	751,412	49,464,841	55,246,942
<b>LIABILITIES</b>						
Current and other liabilities	26,751,107	31,635,301	103,335	119,028	\$26,854,442	\$31,754,329
Long-term liabilities:						
Due within one year	1,417,626	1,246,352	2,902	2,150	1,420,528	1,248,502
Due in more than one year	4,512,978	5,566,168	25,621	26,117	4,538,599	5,592,285
<b>Total Liabilities</b>	32,681,711	38,447,821	131,858	147,295	32,813,569	38,595,116
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	10,926,281	10,065,281	349,574	365,152	11,275,855	10,430,433
Restricted	2,082,470	1,697,313	-	-	2,082,470	1,697,313
Unrestricted	3,002,200	4,285,115	290,747	238,965	3,292,947	4,524,080
<b>Total Net Assets</b>	\$ 16,010,951	\$ 16,047,709	\$ 640,321	\$ 604,117	\$16,651,272	\$16,651,826

Total assets decreased by \$5,872,101 as cash and cash equivalents decreased by \$2,483,760 and property taxes receivable decreased by \$3,739,853. 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 \$1,231,133.

Table 2 shows the changes in net assets for fiscal year 2010 and also presents a comparative analysis to fiscal year 2009 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, 2010*  
*Unaudited*

**Table 2 - Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 1,413,365	\$ 1,535,266	\$ 1,302,034	\$ 1,409,399	\$ 2,715,399	\$ 2,944,665
Operating grants and contributions	2,632,583	1,715,369	626,100	570,051	3,258,683	2,285,420
<b>Total Program Revenues</b>	<b>4,045,948</b>	<b>3,250,635</b>	<b>1,928,134</b>	<b>1,979,450</b>	<b>5,974,082</b>	<b>5,230,085</b>
General Revenues:						
Property taxes	29,455,614	28,842,194	-	-	29,455,614	28,842,194
Payment in Lieu of Taxes	55,269	-	-	-	55,269	-
Grants and entitlements	12,326,932	12,312,315	-	-	12,326,932	12,312,315
Investment income	25,662	159,998	202	2,526	25,864	162,524
All other revenues	220,477	65,617	-	-	220,477	65,617
<b>Total General Revenues</b>	<b>42,083,954</b>	<b>41,380,124</b>	<b>202</b>	<b>2,526</b>	<b>42,084,156</b>	<b>41,382,650</b>
<b>Total Revenues</b>	<b>46,129,902</b>	<b>44,630,759</b>	<b>1,928,336</b>	<b>1,981,976</b>	<b>48,058,238</b>	<b>46,612,735</b>
<b>EXPENSES</b>						
Program Expenses:						
Instruction:						
Regular	20,738,259	20,272,774	-	-	20,738,259	20,272,774
Special	3,669,125	3,205,651	-	-	3,669,125	3,205,651
Vocational	-	-	-	-	-	-
Adult/Continuing	-	-	-	-	-	-
Other	716,321	708,427	-	-	716,321	708,427
Supporting Services:						
Pupil	2,233,269	2,102,431	-	-	2,233,269	2,102,431
Instructional Staff	1,902,590	1,641,037	-	-	1,902,590	1,641,037
Board of Education	24,361	24,929	-	-	24,361	24,929
Administration	4,476,551	4,408,860	-	-	4,476,551	4,408,860
Fiscal	853,242	880,343	-	-	853,242	880,343
Business	131,565	112,844	-	-	131,565	112,844
Operation and Maintenance of Plant	5,164,140	5,822,576	-	-	5,164,140	5,822,576
Pupil Transportation	5,088,471	5,089,244	-	-	5,088,471	5,089,244
Central	51,090	56,969	-	-	51,090	56,969
Operation of Non-Instructional Services	101,058	91,769	-	-	101,058	91,769
Extracurricular Activities	849,861	703,663	-	-	849,861	703,663
Interest and Fiscal Charges	161,390	208,477	-	-	161,390	208,477
Food Services	-	-	1,635,347	1,606,751	1,635,347	1,606,751
Special Education	-	-	262,152	283,547	262,152	283,547
<b>Total Expenses</b>	<b>46,161,293</b>	<b>45,329,994</b>	<b>1,897,499</b>	<b>1,890,298</b>	<b>48,058,792</b>	<b>47,220,292</b>
Change in Net Assets before Transfers	(31,391)	(699,235)	30,837	91,678	(554)	(607,557)
Transfers	(5,367)	(2,503)	5,367	2,503	-	-
Net Assets - Beginning of Year	16,047,709	16,749,447	604,117	509,936	16,651,826	17,259,383
<b>Net Assets - End of Year</b>	<b>\$ 16,010,951</b>	<b>\$ 16,047,709</b>	<b>\$ 640,321</b>	<b>\$ 604,117</b>	<b>\$ 16,651,272</b>	<b>\$ 16,651,826</b>

***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, 2010

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 63.9 percent of revenues for governmental activities for the District in fiscal year 2010.

Charges for Services from Special Education decreased due to a decrease 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.

Operating grants and contributions have increased as a result of the additional grant revenues obtained through the American Recovery and Reinvestment Act (ARRA).

Instruction comprises 54.4 percent of governmental program expenses, which is comparable to the prior year. Supporting Services – Instructional Staff increased \$261,553 due to an increase in hiring of aides for special education students through both the General Fund and federal programs. Supporting Services - Operation and Maintenance of Plant Services decreased \$658,436 due to a significant decrease in utilities and supplies. Extracurricular activities increased \$146,198 due to increases in transportation and supplemental salary costs.

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 2010 to 2009 is presented.

**Table 3 - Governmental Activities**

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
Instruction	\$ 25,123,705	\$ 24,186,852	\$(23,532,112)	(22,635,738)
Supporting Services:				
Pupils and Instructional Staff	4,135,859	3,743,468	(3,163,406)	(3,040,565)
Board of Education, Administration, Fiscal, and Business	5,485,719	5,426,976	(5,027,716)	(5,394,328)
Operation and Maintenance of Plant	5,164,140	5,822,576	(5,164,140)	(5,810,369)
Pupil Transportation	5,088,471	5,089,244	(4,786,439)	(4,857,635)
Central	51,090	56,969	(23,792)	(18,595)
Operation of Non-Instructional Services	101,058	91,769	(12,768)	5,064
Extracurricular Activities	849,861	703,663	(243,582)	(118,716)
Interest and fiscal charges	161,390	208,477	(161,390)	(208,477)
Total cost of service	<u>\$ 46,161,293</u>	<u>\$ 45,329,994</u>	<u>\$(42,115,345)</u>	<u>\$(42,079,359)</u>

**Riverside Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**The 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 \$46,430,687 (includes other financing sources) and expenditures of \$47,522,137 (includes other financing uses). The net change in fund balance for the year was most significant in the General Fund, a decrease of \$1,440,537, 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 2010, the District's General Fund budget remained relatively 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 budget basis revenue of \$39,974,788 (including other financing sources) was reduced in the final budget basis revenue to \$38,613,788. During fiscal year 2010, the District's final budget basis revenue for property tax revenues was \$25,610,090. The District received \$25,644,467 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 2010, the District had \$16,052,141 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared to 2009:

**Table 4 - Capital Assets, Net of Depreciation as of June 30th**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,495,805	\$ 1,495,805	\$ -	\$ -	\$ 1,495,805	\$ 1,495,805
Construction in progress	-	85,825	-	-	-	85,825
Land Improvements	1,602,675	1,710,087	-	-	1,602,675	1,710,087
Buildings and Improvements	8,832,001	8,467,050	-	-	8,832,001	8,467,050
Furniture and Equipment	1,400,855	1,392,615	349,574	365,152	1,750,429	1,757,767
Vehicles	2,371,231	2,401,354	-	-	2,371,231	2,401,354
<b>Total Capital Assets</b>	<b>\$ 15,702,567</b>	<b>\$ 15,552,736</b>	<b>\$ 349,574</b>	<b>\$ 365,152</b>	<b>\$ 16,052,141</b>	<b>\$ 15,917,888</b>

Overall capital assets increased \$134,253 from fiscal year 2009 to fiscal year 2010. 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, 2010*  
*Unaudited*

**Debt**

At June 30, 2010, the District had \$4,786,979 in bonds and capital leases 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.

During fiscal year 2009, the District entered into a capital lease agreement for the purchase of computers. The lease amount was \$186,811 at an interest rate of 5.07 percent with a maturity in September 2011.

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

**Table 5 - Outstanding Debt as of June 30th**

	Governmental Activities	
	2010	2009
General obligation bonds	\$ 355,532	\$ 396,575
Serial Bonds	2,815,000	3,475,000
Term Bonds	1,545,000	1,545,000
Capital Leases	71,447	125,860
<b>Total outstanding debt</b>	<b>\$ 4,786,979</b>	<b>\$ 5,542,435</b>

**Economic Factors**

The District is dependent on its local taxpayers. Based on the current financial information, the budget cuts enacted for fiscal year 2011, a levy placed on the ballot in November 2010, 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 the District's facilities needs.

**Contacting the 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 [michael.vaccariello@riversideschools.net](mailto:michael.vaccariello@riversideschools.net)

# Riverside Local School District

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,801,130	\$ 378,893	\$ 6,180,023
Cash and Cash Equivalents:			
In Segregated Accounts	2,264	-	2,264
Investments	151,338	-	151,338
Property Taxes Receivable	26,091,590	-	26,091,590
Accounts Receivable	88,183	-	88,183
Intergovernmental Receivable	93,515	-	93,515
Internal Balances	(26,211)	26,211	-
Materials and Supplies Inventory	202,721	17,501	220,222
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	585,565	-	585,565
Nondepreciable Capital Assets	1,495,805	-	1,495,805
Depreciable Capital Assets	14,206,762	349,574	14,556,336
<b>Total Assets</b>	<b>48,692,662</b>	<b>772,179</b>	<b>49,464,841</b>
<b>LIABILITIES</b>			
Accounts Payable	492,565	6,009	498,574
Contracts Payable	910,973	17,084	928,057
Accrued Wages and Benefits	2,915,058	39,074	2,954,132
Intergovernmental Payable	1,459,575	41,168	1,500,743
Accrued Interest Payable	13,317	-	13,317
Retainage Payable	23,345	-	23,345
Deferred Revenue	20,936,274	-	20,936,274
Long-term Liabilities:			
Due within one year	1,417,626	2,902	1,420,528
Due in more than one year	4,512,978	25,621	4,538,599
<b>Total Liabilities</b>	<b>32,681,711</b>	<b>131,858</b>	<b>32,813,569</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	10,926,281	349,574	11,275,855
Restricted:			
Capital Projects	1,224,008	-	1,224,008
Debt Services	585,471	-	585,471
Special Revenues	272,991	-	272,991
Unrestricted	3,002,200	290,747	3,292,947
<b>Total Net Assets</b>	<b>\$ 16,010,951</b>	<b>\$ 640,321</b>	<b>\$ 16,651,272</b>

The notes to the basic financial statements are an integral part of this statement

# Riverside Local School District

## Statement of Activities

For the Fiscal Year ended June 30, 2010

	<b>Program Revenues</b>	
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Governmental activities:</b>		
Instruction:		
Regular Instruction	\$ 20,738,259	\$ 547,217
Special Instruction	3,669,125	85,719
Other Instruction	716,321	-
Supporting Services:		
Pupils	2,233,269	-
Instructional Staff	1,902,590	-
Board of Education	24,361	-
Administration	4,476,551	-
Fiscal Services	853,242	-
Business	131,565	-
Operation and Maintenance of Plant Services	5,164,140	-
Pupil Transportation	5,088,471	110,871
Central	51,090	-
Operation of Non-Instructional Services	101,058	63,279
Extracurricular Activities	849,861	606,279
Interest and Fiscal Charges	161,390	-
Total Governmental activities	46,161,293	1,413,365
<b>Business-type activities:</b>		
Food Services	1,635,347	999,727
Special Enterprise	262,152	302,307
Total Business-type activities	1,897,499	1,302,034
Total Primary Government	\$ 48,058,792	\$ 2,715,399

**General Revenues:**

- Property and Other Local Taxes levied for:
  - General Purposes
  - Debt Service Purpose
  - Capital Outlay
- Payment in Lieu of Taxes
- Grants & Entitlements not restricted to specific programs
- Investment Income
- All Other Revenues
- Transfers
- Total General Revenues
- Change in Net Assets
- Net Assets - Beginning of Year
- Net Assets - End of Year**

The notes to the basic financial statements are an integral part of this statement



---

**Net (Expense) Revenue and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (20,052,296)	\$ -	\$ (20,052,296)
(2,763,495)	-	(2,763,495)
(716,321)	-	(716,321)
(1,579,115)	-	(1,579,115)
(1,584,291)	-	(1,584,291)
(24,361)	-	(24,361)
(4,018,548)	-	(4,018,548)
(853,242)	-	(853,242)
(131,565)	-	(131,565)
(5,164,140)	-	(5,164,140)
(4,786,439)	-	(4,786,439)
(23,792)	-	(23,792)
(12,768)	-	(12,768)
(243,582)	-	(243,582)
(161,390)	-	(161,390)
<u>(42,115,345)</u>	<u>-</u>	<u>(42,115,345)</u>
-	(9,520)	(9,520)
-	40,155	40,155
-	30,635	30,635
<u>(42,115,345)</u>	<u>30,635</u>	<u>(42,084,710)</u>
27,268,873	-	27,268,873
753,185	-	753,185
1,433,556	-	1,433,556
55,269	-	55,269
12,326,932	-	12,326,932
25,662	202	25,864
220,477	-	220,477
(5,367)	5,367	-
<u>42,078,587</u>	<u>5,569</u>	<u>42,084,156</u>
(36,758)	36,204	(554)
16,047,709	604,117	16,651,826
<u>\$ 16,010,951</u>	<u>\$ 640,321</u>	<u>\$ 16,651,272</u>

The notes to the basic financial statements are an integral part of this statement

# Riverside Local School District

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2010*

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,729,203	\$ 2,071,927	\$ 5,801,130
Cash and Cash Equivalents:			
In Segregated Accounts	2,264	-	2,264
Investments	151,338	-	151,338
Materials and Supplies Inventory	202,721	-	202,721
Accounts Receivable	88,183	-	88,183
Interfund Receivable	10,122	-	10,122
Intergovernmental Receivable	50,000	43,515	93,515
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	585,565	-	585,565
Property Taxes Receivable	23,977,444	2,114,146	26,091,590
<b>Total Assets</b>	<b>\$ 28,796,840</b>	<b>\$ 4,229,588</b>	<b>\$ 33,026,428</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 481,339	\$ 11,226	\$ 492,565
Accrued Wages and Benefits	2,802,976	112,082	2,915,058
Contracts Payable	678,258	232,715	910,973
Intergovernmental Payable	1,459,575	-	1,459,575
Retainage Payable	-	23,345	23,345
Interfund Payable	26,211	10,122	36,333
Deferred Revenue	20,824,752	1,876,210	22,700,962
<b>Total Liabilities</b>	<b>26,273,111</b>	<b>2,265,700</b>	<b>28,538,811</b>
<b>Fund Balances:</b>			
Reserved for:			
Encumbrances	606,802	235,274	842,076
Inventory	202,721	-	202,721
Budget Stabilization	585,565	-	585,565
Property Taxes	3,202,692	275,219	3,477,911
Unreserved:			
Undesignated, Reported in:			
General Fund	(2,074,051)	-	(2,074,051)
Special Revenue Funds	-	231,635	231,635
Debt Service Funds	-	467,753	467,753
Capital Projects Funds	-	754,007	754,007
<b>Total Fund Balances</b>	<b>2,523,729</b>	<b>1,963,888</b>	<b>4,487,617</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 28,796,840</b>	<b>\$ 4,229,588</b>	<b>\$ 33,026,428</b>

The notes to the basic financial statements are an integral part of this statement

## Riverside Local School District

### Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities June 30, 2010

---

**Total Governmental Funds Balance** \$ 4,487,617

*Amounts reported for Governmental Activities in the Statement of Net Assets are different because:*

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds 15,702,567

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Property taxes	\$ 1,727,405	
Intergovernmental	37,283	
Total		1,764,688

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (13,317)

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	\$ (355,532)	
Serial Bonds	(2,815,000)	
Term Bonds	(1,545,000)	
Deferred Charges on Refunding Bonds	(60,754)	
Retirement Incentive Liability	(37,190)	
Capital Lease Payable	(71,447)	
Compensated Absences Payable	(1,045,681)	
Total		(5,930,604)

**Net Assets of Governmental Activities** \$ 16,010,951

The notes to the basic financial statements are an integral part of this statement

**Riverside Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balance –  
 Governmental Funds*  
 For the Fiscal Year ended June 30, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 27,275,315	\$ 2,186,623	\$ 29,461,938
Intergovernmental	12,057,645	2,900,074	14,957,719
Interest	24,272	1,416	25,688
Tuition	399,199	-	399,199
Extracurricular Activities	-	557,653	557,653
Transportation Fees	110,871	-	110,871
Classroom Materials and Fees	330,921	-	330,921
Miscellaneous	222,546	67,480	290,026
<b>Total Revenues</b>	<u>40,420,769</u>	<u>5,713,246</u>	<u>46,134,015</u>
<b>EXPENDITURES</b>			
Current:			
Instruction:			
Regular Instruction	20,085,302	568,414	20,653,716
Special Instruction	2,967,030	705,741	3,672,771
Other Instruction	724,546	-	724,546
Supporting Services:			
Pupils	1,592,448	638,371	2,230,819
Instructional Staff	1,536,694	381,355	1,918,049
Board of Education	22,304	-	22,304
Administration	3,916,163	545,070	4,461,233
Fiscal Services	841,560	25,756	867,316
Business	119,733	-	119,733
Operation and Maintenance of Plant Services	4,655,855	973,129	5,628,984
Pupil Transportation	4,737,098	366,253	5,103,351
Central	23,792	27,298	51,090
Operation of Non-Instructional Services:			
Food Service Operations	32,432	-	32,432
Community Services	30,245	25,240	55,485
Extracurricular Activities	362,786	386,772	749,558
Capital Outlay	-	62,425	62,425
Debt Service:			
Principal Retirement	-	701,043	701,043
Interest and Fiscal Charges	-	173,882	173,882
<b>Total Expenditures</b>	<u>41,647,988</u>	<u>5,580,749</u>	<u>47,228,737</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,227,219)</u>	<u>132,497</u>	<u>(1,094,722)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Capital Assets	2,939	5,700	8,639
Transfer In	-	288,033	288,033
Transfer Out	(231,220)	(62,180)	(293,400)
<b>Total Other Financing Sources (Uses)</b>	<u>(228,281)</u>	<u>231,553</u>	<u>3,272</u>
Net Change in Fund Balances	(1,455,500)	364,050	(1,091,450)
Fund Balances - Beginning of Year	3,964,266	1,599,838	5,564,104
Increase (Decrease) in Reserve for Inventory	14,963	-	14,963
<b>Fund Balances - End of Year</b>	<u>\$ 2,523,729</u>	<u>\$ 1,963,888</u>	<u>\$ 4,487,617</u>

The notes to the basic financial statements are an integral part of this statement

**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, 2010*

**Net Change in Fund Balances-Total Governmental Funds** \$ (1,091,450)

*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 Outlay	\$ 1,020,989	
Depreciation	<u>(860,470)</u>	
Total		160,519

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets. (10,688)

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

Property and other taxes	(6,324)	
Intergovernmental	<u>11,940</u>	
Total		5,616

Amortization of deferred charges on refunding bonds. 10,126

Repayment of bond principal and capital leases are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 755,456

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. 2,366

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	116,360	
Change in Inventory	14,963	
Retirement Incentive Liability	<u>(26)</u>	
Total		<u>131,297</u>

**Change in Net Assets of Governmental Activities** \$ (36,758)

The notes to the basic financial statements are an integral part of this statement

**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, 2010*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 26,512,873	\$ 25,610,090	\$ 25,644,467	\$ 34,377
Intergovernmental	12,636,997	12,206,698	12,057,645	(149,053)
Interest	20,705	20,000	24,272	4,272
Tuition	342,150	330,500	348,937	18,437
Transportation Fees	82,820	80,000	107,107	27,107
Classroom Materials and Fees	350,950	339,000	330,921	(8,079)
Miscellaneous	23,293	22,500	172,367	149,867
<b>Total Revenues</b>	<u>39,969,788</u>	<u>38,608,788</u>	<u>38,685,716</u>	<u>76,928</u>
<b>Expenditures</b>				
Current:				
Instruction				
Regular	19,693,316	20,045,680	20,244,080	(198,400)
Special	2,925,192	2,925,192	2,941,092	(15,900)
Other	715,424	715,424	742,029	(26,605)
Supporting Services				
Pupils	1,567,495	1,567,495	1,584,303	(16,808)
Instructional Staff	1,624,982	1,612,751	1,501,609	111,142
Board of Education	29,050	29,050	22,304	6,746
Administration	4,190,030	3,840,280	3,812,015	28,265
Fiscal Services	1,026,914	1,024,763	904,859	119,904
Business	127,406	127,406	119,733	7,673
Operation and Maintenance of Plant Services	5,579,361	5,579,361	4,831,583	747,778
Pupil Transportation	4,957,611	4,959,611	4,733,877	225,734
Central	27,303	27,303	24,838	2,465
Operation of Non-Instructional Services	69,500	69,500	62,978	6,522
Extracurricular Activities	396,193	405,962	366,090	39,872
<b>Total Expenditures</b>	<u>42,929,777</u>	<u>42,929,778</u>	<u>41,891,390</u>	<u>1,038,388</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,959,989)</u>	<u>(4,320,990)</u>	<u>(3,205,674)</u>	<u>1,115,316</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	5,000	5,000	2,939	(2,061)
Refund of Prior Year Expenditures	-	-	27,430	27,430
Advances Out	(50,000)	(50,000)	(10,122)	39,878
Transfers Out	(250,000)	(250,000)	(231,220)	18,780
Contingencies	(50,000)	(50,000)	-	50,000
<b>Total Other Financings Sources (Uses)</b>	<u>(345,000)</u>	<u>(345,000)</u>	<u>(210,973)</u>	<u>134,027</u>
Net Change in Fund Balance	(3,304,989)	(4,665,990)	(3,416,647)	1,249,343
Fund Balance - Beginning of Year	5,888,861	5,888,861	5,888,861	-
Prior Year Encumbrances Appropriated	1,233,992	1,233,992	1,233,992	-
<b>Fund Balance - End of Year</b>	<u>\$ 3,817,864</u>	<u>\$ 2,456,863</u>	<u>\$ 3,706,206</u>	<u>\$ 1,249,343</u>

The notes to the basic financial statements are an integral part of this statement

# Riverside Local School District

## Statement of Fund Net Assets

### Proprietary Funds

June 30, 2010

---

	<b>Business-Type Activities</b>
	<b>Nonmajor Enterprise Funds</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 378,893
Materials and Supplies Inventory	17,501
Interfund Receivable	26,211
<b>Total Current Assets</b>	<b>422,605</b>
<b>Noncurrent Assets:</b>	
Capital Assets:	
Depreciable Capital Assets, Net of Depreciation	349,574
<b>Total Noncurrent Assets</b>	<b>349,574</b>
<b>Total Assets</b>	<b>772,179</b>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	6,009
Accrued Wages and Benefits	39,074
Compensated Absences Payable	2,902
Contracts Payable	17,084
Intergovernmental Payable	41,168
<b>Total Current Liabilities</b>	<b>106,237</b>
<b>Noncurrent Liabilities:</b>	
Compensated Absences Payable	25,621
<b>Total Noncurrent Liabilities</b>	<b>25,621</b>
<b>Total Liabilities</b>	<b>131,858</b>
<b>NET ASSETS</b>	
Invested in Capital Assets	349,574
Unrestricted	290,747
<b>Total Net Assets</b>	<b>\$ 640,321</b>

The notes to the basic financial statements are an integral part of this statement

**Riverside Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year ended June 30, 2010*

	<b>Business-Type Activities</b>
	<b>Nonmajor Enterprise Funds</b>
<b>OPERATING REVENUES</b>	
Sales	\$ 986,446
Charges for Services	283,535
Miscellaneous	13,312
Licenses and Permits	18,741
<b>Total Operating Revenues</b>	<b>1,302,034</b>
<b>OPERATING EXPENSES</b>	
Salaries	697,266
Fringe Benefits	269,620
Purchased Services	105,459
Materials and Supplies	792,531
Depreciation	32,465
<b>Total Operating Expense</b>	<b>1,897,341</b>
Operating Income (Loss)	<b>(595,307)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
(Loss) on Sale of Capital Assets	(158)
Interest	202
Intergovernmental	547,949
Donated Commodities	78,151
<b>Total Nonoperating Revenues (Expenses)</b>	<b>626,144</b>
Transfers In	5,367
Change in Net Assets	36,204
Net Assets - Beginning of Year	604,117
<b>Net Assets - End of Year</b>	<b>\$ 640,321</b>

The notes to the basic financial statements are an integral part of this statement



**Riverside Local School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
*For the Fiscal Year ended June 30, 2010*

	<b>Business-Type Activities</b>
	<b>Nonmajor Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 1,288,722
Other Cash Receipts	15,838
Cash Payments to Employees for Services	(696,494)
Cash Payments for Employee Benefits	(284,855)
Cash Payments for Goods and Services	(819,350)
Net Cash Provided by (Used in) Operating Activities	(496,139)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating Grants Received	547,949
Transfers In	5,367
Net Cash Provided by (Used in) Noncapital Financing Activities	553,316
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments for Capital Acquisitions	(17,045)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(17,045)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	202
Net Cash Provided by Investing Activities	202
Net Increase (Decrease) in Cash and Cash Equivalents	40,334
Cash and Cash Equivalents - Beginning of Year	338,559
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 378,893</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (595,307)
Adjustments:	
Depreciation	32,465
Federal Donated Commodities	78,151
(Increase) Decrease in Assets:	
Interfund Receivable	2,526
Materials and Supplies Inventory	1,463
Increase (Decrease) in Liabilities:	
Accrued Wages and Benefits	(974)
Contracts Payable	516
Compensated Absences Payable	4,829
Matured Compensated Absences Payable	256
Intergovernmental Payable	(20,064)
Net Cash Provided by (Used in) Operating Activities	\$ (496,139)

**Schedule of Noncash Financing Activities**

During the year, the Food Services fund received noncash items of Donated Commodities of \$78,151.

The notes to the basic financial statements are an integral part of this statement

**Riverside Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2010*

---

	<u>Agency Funds</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 64,392
Cash and Cash Equivalents:	
in Segregated Accounts	<u>8,886</u>
<b>Total Assets</b>	<u><u>\$ 73,278</u></u>
<b>Liabilities</b>	
Due to Employees	\$ 8,886
Due to Students	<u>64,392</u>
<b>Total Liabilities</b>	<u><u>\$ 73,278</u></u>

The notes to the basic financial statements are an integral part of this statement

# Riverside Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2010*

---

## **Note 1 – Description of the District and Reporting Entity**

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.

Average daily membership was 5,030. The District employed 308 certificated employees and 262 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 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.

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 Lake Geauga Computer Association (LGCA) and the Ohio Schools’ Council Association.

# Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2010

(Continued)

---

## 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.

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 and the latchkey programs.

# Riverside Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

## **Note 2 - Summary of Significant Accounting Policies (Continued)**

### **A. Fund Accounting (Continued)**

#### **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. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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 governmental 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.

# Riverside Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

## **Note 2 - Summary of Significant Accounting Policies (Continued)**

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

#### **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. 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.

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 Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents 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, 2010*

*(Continued)*

---

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **C. Basis of Accounting (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 compensation payments from a tax increment financing (TIF) agreement along with property taxes and compensation payments from the TIF for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 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.

#### **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.

## **Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **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 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 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and money market mutual fund.

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, 2010.

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 2010 amounted to \$24,272. The amount allocated from the other funds during fiscal year 2010 amounted to \$7,555.

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



# Riverside Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

## **Note 2 - Summary of Significant Accounting Policies (Continued)**

### **E. Restricted Assets**

Restricted assets represent cash and cash equivalents and other current assets whose use is limited by legal requirements. Restricted assets in the General Fund include amounts required by statute to be set aside for the purchase of textbooks and other instructional material, capital improvements, 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, 2010 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, 2010.

### **G. Inventory**

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

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

### **H. Capital Assets**

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

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.

**Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**H. Capital Assets (Continued)**

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

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

**I. Interfund Transactions**

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

**J. Compensated Absences**

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

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.

## **Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, 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 taxes, 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, 2010*

*(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 sales for food service and latchkey 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 2010.

### **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.

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.

## **Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **R. Budgetary Data (Continued)**

##### 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 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 2010.

##### Appropriations

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

## Riverside Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **R. Budgetary Data (Continued)**

##### Encumbrances

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

##### Lapsing of Appropriations

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

### **Note 3 – Budgetary Basis of Accounting**

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

# Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2010

(Continued)

---

## Note 3 – Budgetary Basis of Accounting (Continued)

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	\$ (1,455,500)
Net Adjustment for Revenue Accruals	(1,707,623)
Net Adjustments for Expenditure Accruals	506,376
Adjustment for Encumbrances	(759,900)
Budget Basis	<u>\$ (3,416,647)</u>

## 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.

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.

## **Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 4 – Deposits and Investments (Continued)**

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;
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*.



## **Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 4 – Deposits and Investments (Continued)**

#### **Cash on Hand**

At fiscal year end, the District had \$200 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, 2010, the carrying amount of the District’s deposits was \$6,683,935 (which included \$151,338 in non-negotiable certificates of deposit and \$11,150 in cash in segregated accounts) and the bank balance was \$7,479,390. Of the District’s bank balance, \$1,333,773 was covered by Federal Depository Insurance and \$6,145,617 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.

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.

# Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2010

(Continued)

## Note 4 – Deposits and Investments (Continued)

Cash and investments at year-end were as follows:

<u>Cash and Investments</u>	<u>Fair Value</u>	<u>Credit Rating (*)</u>	<u>Investment Maturity (in Years) &lt; 1</u>
STAROhio	\$ 2,653	AAA	\$ 2,653
Money Market Mutual Fund	305,680	AAA	305,680
Total Investments	<u>308,333</u>		<u>\$ 308,333</u>
Carrying Amount of Deposits	6,683,935		
Petty Cash	200		
Total Cash and Investments	<u>\$6,992,468</u>		

\* Credit ratings were 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.

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.

# Riverside Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

## **Note 4 – Deposits and Investments (Continued)**

### *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 District's money market mutual fund is 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's investment in STAROhio is not directly exposed to custodial credit risk. 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 percent is in the money market mutual fund and the remaining percentage is with STAROhio.

## **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 2010 for real and public utility property taxes represents collections of calendar 2009 taxes. Property tax payments received during calendar 2010 for tangible personal property (other than public utility property) is for calendar 2010 taxes.

2010 real property taxes are levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance fiscal year 2010.

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. 2010 public utility property taxes are levied after April 30, 2010 on the assessed value as of December 31, 2009, the lien date, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of 2010 taxes. Tangible personal property taxes received in calendar year 2010 were levied after April 1, 2010, on the value as of December 31, 2009. The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2010 is 0 percent.

**Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

**Note 5 – Property Taxes (Continued)**

The assessed values upon which the fiscal year 2010 taxes were collected are:

	<b>2009 Second Half Collections</b>		<b>2010 First Half Collections</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 1,050,263,880	98.15%	\$ 961,421,370	97.95%
Public Utility	18,293,560	1.71%	19,320,840	1.97%
Tangible Personal Property	<u>1,540,333</u>	<u>0.14%</u>	<u>770,167</u>	<u>0.08%</u>
Total Assessed Value	<u><u>\$ 1,070,097,773</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 981,512,377</u></u>	<u><u>100.00%</u></u>
 Tax Rate per \$1,000 of Assessed Valuation	 \$ 55.28		 \$ 55.68	

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.

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

## **Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 5 – Property Taxes (Continued)**

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, 2010. 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, 2010, was \$3,477,911 and is recognized as revenue. \$3,202,692 was available to the General Fund, \$94,314 was available to the bond retirement fund, and \$180,905 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.

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”.

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year ended June 30, 2010  
(Continued)

**Note 7 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
<b><u>Governmental Activities</u></b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,495,805	\$ -	\$ -	\$ 1,495,805
Construction in Progress	85,825	-	(85,825)	-
<b>Total Capital Assets, not being depreciated</b>	<b>1,581,630</b>	<b>-</b>	<b>(85,825)</b>	<b>1,495,805</b>
<i>Capital Assets being depreciated:</i>				
Land Improvements	2,667,768	-	-	2,667,768
Building and Improvements	14,861,544	641,237	-	15,502,781
Furniture, Fixtures, and Equipment	3,878,075	176,297	(56,398)	3,997,974
Vehicles	4,847,453	289,280	(93,200)	5,043,533
<b>Total Capital Assets being depreciated</b>	<b>26,254,840</b>	<b>1,106,814</b>	<b>(149,598)</b>	<b>27,212,056</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(957,681)	(107,412)	-	(1,065,093)
Buildings and Improvements	(6,394,494)	(276,286)	-	(6,670,780)
Furniture, Fixtures, and Equipment	(2,485,460)	(163,765)	52,106	(2,597,119)
Vehicles	(2,446,099)	(313,007)	86,804	(2,672,302)
<b>Total Accumulated Depreciation</b>	<b>(12,283,734)</b>	<b>(860,470)</b>	<b>138,910</b>	<b>(13,005,294)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>13,971,106</b>	<b>246,344</b>	<b>(10,688)</b>	<b>14,206,762</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 15,552,736</b>	<b>\$ 246,344</b>	<b>\$ (96,513)</b>	<b>\$ 15,702,567</b>
<b><u>Business-Type Activities</u></b>				
Furniture, Fixtures, and Equipment	\$ 603,819	\$ 17,045	\$ (1,582)	\$ 619,282
Less Accumulated Depreciation	(238,667)	(32,465)	1,424	(269,708)
<b>Business-Type Activities Capital Assets, net</b>	<b>\$ 365,152</b>	<b>\$ (15,420)</b>	<b>\$ (158)</b>	<b>\$ 349,574</b>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 259,874
Support Services:	
Board of Education	2,057
Administration	43,949
Fiscal	2,303
Operation and Maintenance of Plant	146,410
Pupil Transportation	292,112
Operation of Non-Instructional Services:	
Food Services	12,997
Extracurricular Activities	100,768
<b>Total</b>	<b>\$ 860,470</b>

**Riverside Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year ended June 30, 2010  
(Continued)

**Note 8 – Long-Term Obligations**

The changes in the District’s long-term obligations during fiscal year 2010 were as follows:

	Balance 6/30/2009	Additions	Retirements	Balance 6/30/2010	Amounts Due in One Year
<b><u>Governmental Activities</u></b>					
General Obligation Bond					
2005 - 5.33%	\$ 396,575	\$ -	\$ (41,043)	\$ 355,532	\$ 43,230
<b><u>School Improvement Refunding:</u></b>					
2003 Serial Bonds - 2.00-3.15%	3,475,000	-	(660,000)	2,815,000	675,000
2003 Term Bonds - 4.00%	1,545,000	-	-	1,545,000	-
Deferred Charges	70,880	-	(10,126)	60,754	10,126
Total Refunding Bonds	5,090,880	-	(670,126)	4,420,754	685,126
Capital Lease	125,860	-	(54,413)	71,447	57,240
Retirement Incentive Liability	37,164	37,190	(37,164)	37,190	37,190
Compensated Absences	1,162,041	544,672	(661,032)	1,045,681	594,840
Total Governmental Activities	<u>\$ 6,812,520</u>	<u>\$ 581,862</u>	<u>\$ (1,463,778)</u>	<u>\$ 5,930,604</u>	<u>\$ 1,417,626</u>
<b><u>Business-Type Activities</u></b>					
Compensated Absences	<u>\$ 28,267</u>	<u>\$ 2,406</u>	<u>\$ (2,150)</u>	<u>\$ 28,523</u>	<u>\$ 2,902</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 .81 mill bonded debt tax levy. Compensated absences and retirement payout will be paid from the fund from which the employees’ salaries are paid. The ongoing capital lease will be paid from the Permanent Improvement Levy Capital Projects Fund. See Note 9 for more detail.

Principal and interest requirements to retire bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	<u>General Obligation Bond</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>
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	50,518	11,662	735,000	73,376	785,518	85,038
2015	168,289	8,970	760,000	46,600	928,289	55,570
2016	-	-	785,000	15,700	785,000	15,700
Totals	<u>\$ 355,532</u>	<u>\$ 70,447</u>	<u>\$ 4,360,000</u>	<u>\$ 484,151</u>	<u>\$ 4,715,532</u>	<u>\$ 554,598</u>

# Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2010

(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, 2010, the amount of defeased debt outstanding amounted to \$4,490,000.

### Note 9 – Capital Lease Obligation

In fiscal year 2009, the District entered into a new lease agreement that qualifies as a capital lease for accounting purposes. Therefore, this capital lease has been recorded at the present value of the future minimum lease payments as of the inception date for governmental activities in the Statement of Net Assets. The capital lease is for the purchase of 288 Dell computers and the amount financed is \$186,811. Though the lease agreement qualifies as a capital lease, each computer individually does not exceed the District's capitalization threshold and will not be capitalized on the government-wide statements.

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

Fiscal Year	
Ending	
June 30,	
<u>2011</u>	\$ 60,951
2012	<u>14,945</u>
Minimum Lease Payments	75,896
Less: Amount Representing Interest	<u>(4,449)</u>
Present Value of Net Lease Payments	<u><u>\$ 71,447</u></u>

In fiscal year 2010, the principal and interest expenses related to the computer capital lease, in the amount of \$54,413 and \$6,538, respectively, were recorded as regular instruction on the non-GAAP budgetary basis along with the Statement of Revenues, Expenditures, and Changes in Fund Balances.



**Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(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>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
<u>Vacation</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 employment (15 days per year)
Maximum Accumulation	300 days	300 days	269 days
Vested	As earned	As earned	As earned
Termination Entitlement	1/4 of accumulated sick leave up to 62 days	1/4 of accumulated sick leave up to 62 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 financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

## Riverside Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 11 – Defined Benefit Pension Plans** (Continued)

#### **State Teachers Retirement System** (Continued)

**Plan Options** - 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. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation amount various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – 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 31<sup>st</sup> 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 (2.6 percent for 32 years, 2.7 percent for 33 years and so on) 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 instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** - Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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 DC 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.

## **Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 11 – Defined Benefit Pension Plans (Continued)**

#### **State Teachers Retirement System (Continued)**

**Combined Plan Benefits** - Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment. 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 payment 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.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher 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.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For fiscal year ended June 30, 2009 (the latest information available), 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.

## **Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 11 – Defined Benefit Pension Plans (Continued)**

#### **State Teachers Retirement System** (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$2,520,556, \$2,381,059, and \$2,277,545, respectively; 83.61 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Member and employer contributions actually made for the Defined Contribution and Combined Plan participants will be provided upon written request.

#### **School Employees Retirement System**

*Plan Description* - 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. That 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](http://www.ohsers.org) under *Employer/Audit Resources*.

*Funding Policy* - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (the Pension Trust Fund, the Death Benefits Fund, the Medicare Part B Fund, and the Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14.00 percent employer contribution rate is allocated to the Health Care and the Medicare Part B funds. The District's required pension contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$847,539, \$593,259, and \$581,314, respectively; 37.23 percent has been contributed for fiscal year 2010 and 100 percent for fiscal year 2009 and 2008.

### **Note 12 – Post-Employment Benefits Other Than Pension Benefits**

#### **State Teachers Retirement System**

*Plan Description* - Ohio law authorizes STRS to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage 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 of monthly Medicare Part B premiums.

## Riverside Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2010  
(Continued)

---

### Note 12 – Post-Employment Benefits Other Than Pension Benefits (Continued)

#### State Teachers Retirement System (Continued)

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 Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

*Funding Policy* - 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 years ended June 30, 2009, 2008 and 2007 (the latest information available). For the fiscal years ended June 30, 2010, 2009, and 2008, the District's contributions to post-employment health care were \$193,889, \$183,158, and \$175,196, respectively; 83.61 percent has been contributed for 2010 and 100 percent for fiscal years 2009 and 2008.

#### School Employees Retirement System

*Plan Description* – In addition, to a cost-sharing multiple-employer defined benefit pension plan described in Note 11, SERS administers two post-employment benefit plans, the Medicare Part B Plan and the Health Care Plan as permitted by Ohio Revised Code (ORC) Sections 3309.69 and 3309.375.

**Medicare Part B Plan** - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2010, the actuarially required allocation is .76 percent. For the fiscal years ended June 30, 2010, 2009, and 2008, the District's contributions to the Medicare Part B Plan were \$50,401, \$48,949, and \$41,885, respectively; 37.23 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

## Riverside Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 12 – Post-Employment Benefits Other Than Pension Benefits (Continued)**

#### **School Employees Retirement System (Continued)**

**Health Care Plan** – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plan from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employers' 14 percent contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46 percent. 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 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2010, 2009 and 2008 were \$167,056, \$406,013, and \$394,818, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial report of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll-free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

## **Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(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 2010, 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 \$89,911,540.

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.

The District has elected to provide medical coverage through premium payments to the Lake County Council of Governments Health Care Benefits Program. (See Note 20.)

### **Note 14 – Jointly Governed Organizations**

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 \$171,172 to LGCA during fiscal year 2010. 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 twenty-one 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 2010, the District paid \$1,815 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.

## **Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 14 – Jointly Governed Organizations (Continued)**

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. As of January 1, 2010, the program ended and is now a group rate that is utilized for the purchase of electricity.

### **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, 2010.

#### **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.

### **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, 2010*  
(Continued)

**Note 17 – Interfund Transactions**

**A. Interfund Transfers**

As of June 30, 2010, interfund transfers were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
<b><u>Governmental Funds</u></b>		
General Fund	\$ -	\$ 231,220
Nonmajor Special Revenue Funds	225,853	-
Nonmajor Debt Service Fund	62,180	-
Nonmajor Capital Projects Fund	-	62,180
Total Governmental Funds	288,033	293,400
<b><u>Nonmajor Enterprise Fund</u></b>	5,367	-
<b>Totals</b>	<b>\$ 293,400</b>	<b>\$ 293,400</b>

Transfers of \$62,180, representing property tax levy funds coming into the District, were made from the nonmajor capital projects fund to the nonmajor debt service fund to assist with the retirement of debt. Transfers of \$231,220 from the General fund to various other funds were made to provide additional resources for current operations. Transfers of \$288,033 were eliminated since they were within governmental activities.

**B. Interfund Receivables and Payables**

As of June 30, 2010, internal balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Enterprise Fund	General Fund	\$ 26,211
General Fund	Nonmajor Special Revenue Funds	10,122

The General Fund payable of \$26,211 to the nonmajor enterprise fund for interest income is to be paid in the subsequent years. The nonmajor special revenue funds' payable of \$10,122 to the General Fund was necessary to cover operating costs until reimbursement was received from the granting agency. These payables will be paid in the subsequent year.

# Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2010

(Continued)

## 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, 2010, only the unspent portion of certain workers' compensation refunds and the District's past required contributions continue to be a set-aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2009	\$ (2,639,055)	\$ -	\$ 585,565
Current Year Set-Aside Requirements	792,746	792,746	-
Qualifying Disbursements	(1,074,400)	(2,526,517)	-
Total	<u>\$ (2,920,709)</u>	<u>\$ (1,733,771)</u>	<u>\$ 585,565</u>
Set-Aside Balances Carried Forward to Future Years	<u>\$ (2,920,709)</u>	<u>\$ -</u>	<u>\$ 585,565</u>
Set-Aside Reserve Balance as of June 30, 2010	<u>\$ (2,920,709)</u>	<u>\$ -</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.

## **Riverside Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year ended June 30, 2010*

*(Continued)*

---

### **Note 19 – OSBA Workers’ Compensation Group Rating Program (Continued)**

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.

### **Note 20 – Claims Servicing Pool**

The District participates in the Lake County Council of Governments’ Health Care Benefits (HCBP) Self-Insurance Program, a claims servicing pool comprised of nine Lake County school districts. The Council is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council.

Organized under Chapter 167.01 of the Ohio Revised Code, each member school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the Council. The Council’s business and affairs are conducted by a five-member Board of Directors elected by the HCBP’s assembly. The assembly elects officers for one year terms to serve on the Board of Directors.

The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claim flow. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the District effective in fiscal year 2010. The Council shall pay the run out of all claims for a withdrawing member. Any member that withdraws from the Council pursuant to the Council Agreement shall have no claim to the Council’s assets.

Financial information can be obtained from the Lake County Educational Service Center at 30 South Park Place, Suite 30, Painesville, Ohio 44077.

# Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2010

(Continued)

---

## Note 21 – Changes in Accounting Principles

For fiscal year 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The implementation of these Statements did not result in any change to the District's financial statements.

## Note 22 – Compliance and Accountability

### Fund Deficits

The following funds had deficit fund balances or deficit net assets as of June 30, 2010:

#### Special Revenue Funds

Title I	\$ 15,162
IDEA Preschool Grant for the Handicapped	11,605
Improving Teacher Quality	5,696

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, 2010**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. Department of Agriculture</b>						
<b>Passed through Ohio Department of Education</b>						
<i>Child Nutrition Cluster</i>						
School Breakfast Program	10.553	047894-05-PU-10	\$ 122,362	\$ 0	\$ 122,362	\$ 0
National School Lunch Program (See Note 2)	10.555	047894-LLP4-10	<u>414,658</u>	<u>78,151</u>	<u>414,658</u>	<u>78,151</u>
<i>Total Child Nutrition Cluster</i>			<u>537,020</u>	<u>78,151</u>	<u>537,020</u>	<u>78,151</u>
<b>Total U.S. Department of Agriculture</b>			<u>537,020</u>	<u>78,151</u>	<u>537,020</u>	<u>78,151</u>
<b>U.S. Department of Education</b>						
<b>Passed through the Ohio Department of Education</b>						
<i>Title I Cluster</i>						
Title I, Grants to Local Educational Agencies	84.010	047894-C1S1-10	301,118	0	289,763	0
Title I, Grants to Local Educational Agencies	84.010	047894-C1S1-09	24,806	0	38,686	0
ARRA - Title I, Grants to Local Educational Agencies	84.389		<u>97,215</u>	<u>0</u>	<u>82,251</u>	<u>0</u>
<i>Total Title I Cluster</i>			<u>423,139</u>	<u>0</u>	<u>410,700</u>	<u>0</u>
<i>Special Education Cluster</i>						
Special Education Grants to States- IDEA Part B	84.027	047894-6BSF-10	792,410	0	748,442	0
Special Education Grants to States- IDEA Part B	84.027	047894-6BSF-09	537	0	35,820	0
ARRA - Special Education Grants to States -IDEA Part B	84.391		569,058	0	552,798	0
Early Childhood Special Education Grants - IDEA Preschool	84.173	047894-PGS1-10	23,195	0	22,346	0
ARRA - Early Childhood Special Education Grants - IDEA Preschool	84.392		5,302	0	4,509	0
Early Childhood Special Education Discretionary Funds	84.173		<u>450</u>	<u>0</u>	<u>450</u>	<u>0</u>
<i>Total Special Education Cluster</i>			<u>1,390,952</u>	<u>0</u>	<u>1,364,365</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	047894-DR-S1-10	11,459	0	11,121	0
Safe and Drug-Free Schools and Communities State Grants	84.186	047894-DR-S1-09	<u>(617)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Safe and Drug-Free Schools and Communities State Grants</i>			<u>10,842</u>	<u>0</u>	<u>11,121</u>	<u>0</u>
Innovative Educational Program Strategies	84.298	047894-C2S1-10	0	0	1,138	0
<i>Total Innovative Educational Program Strategies</i>			<u>0</u>	<u>0</u>	<u>1,138</u>	<u>0</u>
Education Technology State Grants	84.318	047894-TJS1-10	2,338	0	1,936	0
Education Technology State Grants	84.318	047894-TJS1-09	<u>0</u>	<u>0</u>	<u>116</u>	<u>0</u>
<i>Total Education Technology State Grants</i>			<u>2,338</u>	<u>0</u>	<u>2,052</u>	<u>0</u>
Improving Teacher Quality, State Grants	84.367	047894-TRS1-10	103,670	0	94,980	0
Improving Teacher Quality, State Grants	84.367	047894-TRS1-09	<u>(1,885)</u>	<u>0</u>	<u>6,576</u>	<u>0</u>
<i>Total Improving Teacher Quality, State Grants</i>			<u>101,785</u>	<u>0</u>	<u>101,556</u>	<u>0</u>
Title III Immigrant Grant	84.365		<u>2,144</u>	<u>0</u>	<u>2,083</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund	84.394		<u>457,838</u>	<u>0</u>	<u>457,838</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			<u>2,389,038</u>	<u>0</u>	<u>2,350,853</u>	<u>0</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,926,058</u>	<u>\$ 78,151</u>	<u>\$ 2,887,873</u>	<u>\$ 78,151</u>

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
 NOTES TO THE SUPPLEMENTAL SCHEDULE OF  
 EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2010**

---

**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 10.555. 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: TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. These transfers resulted in the Schedule reporting negative receipts for certain programs. The School District transferred the following amounts from 2009 to 2010 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred From 2009 To 2010</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	\$ 617
Improving Teacher Quality, State Grants	84.367	1,885

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
*5240 East 98<sup>th</sup> 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, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the Riverside Local School District, Ohio's basic financial statements and have issued our report thereon dated October 15, 2010. 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.

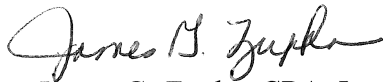
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, 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

October 15, 2010



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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> 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 THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Riverside Local School District  
Painesville, Ohio

**Compliance**

We have audited the compliance of the Riverside Local School District, Lake County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Riverside Local School District, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Riverside Local School District, Ohio's management. Our responsibility is to express an opinion on the Riverside Local School District, Ohio's compliance based on our audit.

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

In our opinion, the Riverside Local School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

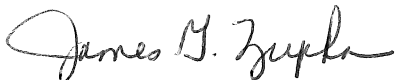
### **Internal Control Over Compliance**

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, others within the entity, 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

October 15, 2010

**RIVERSIDE LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2010**

---

**1. SUMMARY OF AUDITOR'S RESULTS**

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2010(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2010(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2010(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2010(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2010(v)	Type of Major Program's Compliance Opinion	Unqualified
2010(vi)	Are there any reportable findings under .510?	No
2010(vii)	Major Programs (list):  Special Education Cluster: Special Education Grants to States-IDEA Part B - CFDA #84.027 & 84.391 Early Childhood Special Education - CFDA #84.173 & 84.392 Title I Cluster: Title I, Grants to Local Educational Agencies - CFDA #84.010 & 84.389 ARRA - State Fiscal Stabilization Fund - CFDA #84.394	
2010(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2010(ix)	Low Risk Auditee?	Yes

**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, 2010**

---

---

The prior audit report, as of June 30, 2009, included no citations or instances of noncompliance.



**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 28, 2010**