



Dave Yost • Auditor of State

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	20
Statement of Fiduciary Assets and Liabilities – Agency Fund	21
Notes to the Basic Financial Statements	23
Federal Awards Receipts and Expenditures Schedule	62
Notes to the Federal Awards Receipts and Expenditures Schedule	63
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	64
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	66
Schedule of Findings	68

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Riverside Local School District
Lake County
585 Riverside Drive
Painesville, Ohio 44077

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the 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 February 28, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Dave Yost
Auditor of State

February 28, 2013

Riverside Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are:

- Net assets of governmental activities increased by \$506,415 or 4 percent.
- General revenues accounted for \$39,685,685 in revenue or 92 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,543,585 or 8 percent of total revenues of \$43,229,270.
- Total assets of governmental activities increased by \$1,877,461. The cash and cash equivalents with escrow agents experienced the largest increase of \$2,500,000 when comparing 2012 to 2011. The decrease of \$1,467,900 in property taxes receivable was the main offset to the increase in cash and cash equivalents with escrow agents.
- The District had \$42,727,255 in expenses related to governmental activities; \$3,543,585 of those expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$39,685,685 were adequate to provide for these programs.
- The District has two major funds: the General Fund and the Permanent Improvement Levy Fund. The General Fund had \$36,795,444 (which includes other financing sources) in revenues and \$36,906,736 (which includes other financing uses) in expenditures. The General Fund's fiscal year 2011 negative fund balance of \$1,457,741 decreased further to a negative fund balance of \$1,614,865. This negative fund balance is due to the application of accrued liabilities. On a budgetary basis, the District's General Fund had a positive fund balance of \$752,617. The significant change in fund balance for the Permanent Improvement Levy Fund can be attributed to the inception of a capital lease, where the proceeds from the lease have just begun being utilized near the end of fiscal year 2012.

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.

Riverside Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

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 significant funds, with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund and the Permanent Improvement Levy Fund are by far the most significant funds.

Reporting the 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 2012?" 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, Adult Education 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 8 of the financial statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Permanent Improvement Levy Fund.

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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 2012 compared to 2011:

Table 1 - Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	\$ 33,751,827	\$ 32,605,340	\$ 590,363	\$ 543,941	\$34,342,190	\$33,149,281
Capital assets, net	16,777,998	16,047,024	307,915	342,178	17,085,913	16,389,202
Total Assets	50,529,825	48,652,364	898,278	886,119	51,428,103	49,538,483
LIABILITIES						
Current and other liabilities	29,573,767	29,927,250	127,567	108,680	\$29,701,334	\$30,035,930
Long-term liabilities:						
Due within one year	1,438,355	1,130,488	4,997	3,673	1,443,352	1,134,161
Due in more than one year	5,435,861	4,019,199	35,294	35,067	5,471,155	4,054,266
Total Liabilities	36,447,983	35,076,937	167,858	147,420	36,615,841	35,224,357
NET ASSETS						
Invested in capital assets, net of related debt	13,240,100	11,984,887	307,915	342,178	13,548,015	12,327,065
Restricted	2,603,191	2,557,531	-	-	2,603,191	2,557,531
Unrestricted	(1,761,449)	(966,991)	422,505	396,521	(1,338,944)	(570,470)
Total Net Assets	\$ 14,081,842	\$ 13,575,427	\$ 730,420	\$ 738,699	\$14,812,262	\$14,314,126

During 2012, total assets increased by \$1,889,620. Cash and cash equivalents with escrow agent experienced the largest increase of \$2,500,000. This increase was due to the District entering into a lease agreement with FirstMerit Bank, where FirstMerit Bank is the escrow agent for the disbursement of funds for the HVAC improvements to the Hale Road Elementary School. The increase in assets can also be attributed to an increase in capital assets. This is attributed to various school building improvements throughout the District. Property taxes receivable experienced the largest decrease of \$1,467,900. This decrease can be mainly attributed to the fluctuation of outstanding property tax delinquencies and amounts available for advances from year to year.

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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, experienced a decrease of \$768,474.

Table 2 shows the changes in net assets for fiscal year 2012 and also presents a comparative analysis to fiscal year 2011 for governmental activities, business-type activities, and both governmental and business-type activities combined.

Table 2 - Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenues:						
Charges for services	\$ 1,778,425	\$ 1,525,334	\$ 1,343,364	\$ 1,323,426	\$ 3,121,789	\$ 2,848,760
Operating grants and contributions	1,765,160	2,493,235	641,882	657,500	2,407,042	3,150,735
Total Program Revenues	3,543,585	4,018,569	1,985,246	1,980,926	5,528,831	5,999,495
General Revenues:						
Property and other local taxes	25,825,982	27,105,409	-	-	25,825,982	27,105,409
Payment in lieu of taxes	100,634	69,772	-	-	100,634	69,772
Grants and entitlements	12,914,086	12,036,271	-	-	12,914,086	12,036,271
Investment income	8,650	14,719	-	-	8,650	14,719
All other revenues	836,333	95,015	406	-	836,739	95,015
Total General Revenues	39,685,685	39,321,186	406	-	39,686,091	39,321,186
Total Revenues	43,229,270	43,339,755	1,985,652	1,980,926	45,214,922	45,320,681
EXPENSES						
Program Expenses:						
Instruction:						
Regular	19,590,454	21,047,840	-	-	19,590,454	21,047,840
Special	3,992,853	4,334,915	-	-	3,992,853	4,334,915
Other	1,821,276	594,611	-	-	1,821,276	594,611
Supporting Services:						
Pupil	2,065,936	2,132,774	-	-	2,065,936	2,132,774
Instructional Staff	1,334,458	1,625,650	-	-	1,334,458	1,625,650
Board of Education	22,264	22,471	-	-	22,264	22,471
Administration	4,317,489	4,414,705	-	-	4,317,489	4,414,705
Fiscal	1,138,577	1,006,799	-	-	1,138,577	1,006,799
Business	5,331	10,446	-	-	5,331	10,446
Operation and Maintenance of Plant	3,455,919	4,398,252	-	-	3,455,919	4,398,252
Pupil Transportation	3,929,862	5,051,736	-	-	3,929,862	5,051,736
Central	47,347	40,501	-	-	47,347	40,501
Operation of Non-Instructional Services	71,051	94,520	-	-	71,051	94,520
Extracurricular Activities	812,192	857,802	-	-	812,192	857,802
Interest and Fiscal Charges	122,246	142,257	-	-	122,246	142,257
Food Services	-	-	1,699,584	1,619,967	1,699,584	1,619,967
Special Education	-	-	289,947	262,581	289,947	262,581
Total Expenses	42,727,255	45,775,279	1,989,531	1,882,548	44,716,786	47,657,827
Transfers	4,400	-	(4,400)	-	-	-
Change in Net Assets after Transfers	506,415	(2,435,524)	(8,279)	98,378	498,136	(2,337,146)
Net Assets - Beginning of Year	13,575,427	16,010,951	738,699	640,321	14,314,126	16,651,272
Net Assets - End of Year	\$ 14,081,842	\$ 13,575,427	\$ 730,420	\$ 738,699	\$ 14,812,262	\$ 14,314,126

Riverside Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

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.

Thus, school districts that are 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 59.7 percent of revenues for governmental activities for the District in fiscal year 2012.

Property taxes were the largest detractor from the previous year. The decrease mainly resulted from the revenue recognition of property tax outstanding delinquencies and amounts available for advance on the accrual basis of accounting and the timing of property tax collections from the Lake County.

Operating grants and contributions were the next largest detractor from the previous year. The grant funding provided through the American Recovery and Reinvestment Act (ARRA) had subsided in fiscal year 2012 causing the decrease in operating grants as compared to prior year.

Instruction comprises 59.5 percent of governmental program expenses, which is slightly lower when compared to the prior year. Supporting Services for Pupils and Instructional Staff had a combined decrease of \$358,030. Supporting Services - Operation and Maintenance of Plant Services decreased \$942,333 due to decreases in utilities, supplies, and other projects. Supporting Services – Pupil Transportation decreased \$1,121,874 due to cost saving measures taken by the District.

Riverside Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

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 2012 to 2011 is presented.

Table 3 - Governmental Activities

	Total Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2012	Net Cost of Services 2011
Instruction	\$ 25,404,583	\$ 25,977,366	\$ 24,028,948	\$ 24,216,760
Supporting Services:				
Pupils and Instructional Staff	3,400,394	3,758,424	2,655,206	3,037,533
Board of Education, Administration, Fiscal, and Business	5,483,661	5,454,421	5,190,349	4,933,743
Operation and Maintenance of Plant	3,455,919	4,398,252	3,455,912	4,380,136
Pupil Transportation	3,929,862	5,051,736	3,756,976	4,856,919
Central	47,347	40,501	32,947	17,301
Operation of Non-Instructional Services	71,051	94,520	(42,577)	16,721
Extracurricular Activities	812,192	857,802	(16,337)	155,340
Interest and fiscal charges	122,246	142,257	122,246	142,257
Total cost of service	<u>\$ 42,727,255</u>	<u>\$ 45,775,279</u>	<u>\$ 39,183,670</u>	<u>\$ 41,756,710</u>

The District's Funds

The District's governmental major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue of \$46,553,302 (which includes other financing sources) and expenditures of \$44,241,610 (which includes other financing uses). The net change in fund balance for the year was most significant in the Permanent Improvement Levy Fund, an increase of \$2,094,282. This increase can be attributed to the inception of a capital lease.

The General Fund's property taxes receivable experienced the largest decrease of \$1,031,167. This decrease is due to a decrease in the property tax estimate for fiscal year 2013 coupled with a decrease in the delinquencies outstanding as of June 30, 2012.

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 2012, the District's General Fund budget experienced some fluctuation. The District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

For the General Fund, the original budget basis revenue of \$36,336,192 (which includes other financing sources) was significantly increased in the final budget basis revenue to \$40,994,600. The District's issuance of Tax Anticipation Notes (TANs) can account for this increase. Actual revenues were slightly higher than the final budget basis revenues.

The original budget basis expenditures of \$36,531,708 (which includes other financing uses) were significantly increased in the final budget basis expenditures to \$40,916,413. This increase was a result of the retirement of the TANs issued during the year. Actual expenditures were slightly lower than the final amounts budgeted.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$17,085,913 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2012 balances compared to 2011:

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,485,805	\$ 1,495,805	\$ -	\$ -	\$ 1,485,805	\$ 1,495,805
Construction in progress	1,641,075	448,719	-	4,400	1,641,075	453,119
Land improvements	1,389,569	1,496,122	-	-	1,389,569	1,496,122
Buildings and improvements	8,631,876	8,846,445	-	-	8,631,876	8,846,445
Furniture and equipment	1,516,239	1,325,983	307,915	337,778	1,824,154	1,663,761
Vehicles	2,113,434	2,433,950	-	-	2,113,434	2,433,950
Total Capital Assets	\$ 16,777,998	\$ 16,047,024	\$ 307,915	\$ 342,178	\$ 17,085,913	\$ 16,389,202

See Note 10 to the basic financial statements for more detail.

Riverside Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Debt

At June 30, 2012, the District had \$5,761,768 in bonds and capital leases outstanding. Table 5 summarizes outstanding debt.

Table 5 - Outstanding Debt as of June 30th

	Governmental Activities	
	2012	2011
General obligation bonds	\$ 266,768	\$ 312,302
Serial bonds	1,450,000	2,140,000
Term bonds	1,545,000	1,545,000
Capital leases	2,500,000	14,207
Total outstanding debt	\$ 5,761,768	\$ 4,011,509

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.

The District has entered into capital lease agreements for the purchase of computers and for the construction of Hale Road Elementary HVAC and electric work. The lease for the computers matured during fiscal year 2012. Also see Notes 12 and 13 to the basic financial statements for more detail.

Economic Factors

Although the budget is balanced for the next three years, the District is entering challenging times with uncertain revenue streams. The current fiscal year ended with a low fund balance (on a cash basis) that is roughly half of the monthly cash requirement for District operations. The District will continue to utilize short term Tax Anticipation Notes to finance cash short falls in December to March of each school year. Fiscal year 2012 has budget reductions of \$4.3 million on the cash basis that balanced the budget for this year. More reductions are enacted for the following fiscal year in the projected amount of \$1.5 million in addition to the cuts that have become permanent from fiscal year 2012. Major reductions in expenditures in fiscal year 2012 include the reduction of transportation to the State of Ohio minimum that was enacted in fiscal year 2012, reductions in maintenance staff and tutoring staff. Major reductions in teaching staff (25 teaching positions) will occur in fiscal year 2013 in addition to extracurricular activities being funded by pay to participate fees. The District continues to make reductions in expenditures and seek new funding with operating levies. On the cash basis, the District has a positive ending cash balance for the next three fiscal years of 2013, 2014 and 2015. Fiscal year 2015 depends on a successful renewal of the Substitute Tax Levy in November of 2014 (from the October 2012 Board Approved Five Year Forecast).

Riverside Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

Tangible Personal Property Tax (TPPT): The accelerated phase-out of tangible personal property taxes will create a \$708,000 permanent loss of revenue in fiscal year 2012 and an additional \$708,000 permanent loss in fiscal year 2013 (accumulated effect in fiscal year 2013 is \$1,416,000). The elimination of Tangible Personal Property taxes by House Bill 66, House Bill 1 and Senate Bill 153 is eliminating a \$3 million revenue stream for the District which is a substantial portion of a \$39 million General Fund budget. The elimination of this local tax will place a greater burden on residential taxpayers for future tax levies since the TPPT valuation is removed from the total valuation of the District. In other words, residential taxpayers were paying 79 percent of the tax base for the District prior to the elimination of TPPT in 2004. Currently, residential taxpayers are paying 86 percent of the total tax base after the removal of the TPPT valuation. Future tax levies will also require a larger millage since the TPPT valuation was removed from the tax base, which also places a great burden on all local taxpayers.

The environment of local support for new levies is a volatile situation in conjunction with the current recession in the State of Ohio. The District has attempted various operating levies on the ballot in the past three years with no success for new funding. As a result, the reductions in expenditures as listed above are a reality. The District continues to address the very challenging aspect of reducing overall expenditures with a minimal impact in the classroom. The \$4 million of reductions in fiscal year 2012 (as mentioned above) includes the reduction of transportation to the State minimum which is extremely challenging to a District that covers 65 square miles, school locations by railroads and rivers, and rural roads. The reductions to balance fiscal year 2013 directly affect the classroom and students. The District is continuously seeking savings in expenditures such as: the Energy Education Program which is saving substantial amounts in utility costs; increases in employee portions of health insurance premiums which now range from 18 percent to 23 percent depending on the consortium plan selection; and true freezes on wages with no step increases or educational degree changes. Certified staff (teachers) wages are frozen for fiscal year 2012 to fiscal year 2014; the classified staff wages are frozen from fiscal year 2011 to fiscal year 2014; and administration wages have been frozen since fiscal year 2011.

State formula funding is currently based on guaranteed amounts established by Senate Bill 153 with the District receiving the same amounts of funding from fiscal year 2010. The future projection of this revenue source is uncertain due to an official funding formula to be released by the State. The District is awaiting this formula. Fiscal year 2013 will be a revaluation year in regards to Real Estate Taxes with a projected decrease in value of 6 percent based on Ohio Department of Taxation sales ratio reports for housing values in the District's areas. As a result, a decrease in Real Estate tax revenue is projected per the October 2012 Five Year Forecast.

The District utilizes the five year forecast to plan for the future and present various funding scenarios. This includes an in-depth analysis of revenue resources including the analysis of property values and property sale trends. Expenditures are projected based on future anticipated savings from staff reductions and expenditure reductions.

Riverside Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Unaudited

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 A. Rock, Treasurer/CFO at Riverside Local School District, 585 Riverside Drive, Painesville, Ohio 44077 or email at mike.rock@riversideschools.net

Riverside Local School District

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 3,365,730	\$ 546,615	\$ 3,912,345
Cash and Cash Equivalents:			
With Escrow Agents	2,500,000	-	2,500,000
Property Taxes Receivable	27,532,128	-	27,532,128
Intergovernmental Receivable	249,792	-	249,792
Internal Balances	(26,211)	26,211	-
Materials and Supplies Inventory	130,388	17,537	147,925
Nondepreciable Capital Assets	3,126,880	-	3,126,880
Depreciable Capital Assets	13,651,118	307,915	13,959,033
Total Assets	50,529,825	898,278	51,428,103
LIABILITIES			
Accounts Payable	195,103	8,624	203,727
Contracts Payable	966,634	23,556	990,190
Accrued Wages and Benefits	2,923,739	38,129	2,961,868
Intergovernmental Payable	1,095,378	57,258	1,152,636
Accrued Interest Payable	11,050	-	11,050
Retainage Payable	65,709	-	65,709
Deferred Revenue	24,316,154	-	24,316,154
Long-term Liabilities:			
Due within one year	1,438,355	4,997	1,443,352
Due in more than one year	5,435,861	35,294	5,471,155
Total Liabilities	36,447,983	167,858	36,615,841
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	13,240,100	307,915	13,548,015
Restricted:			
Capital Projects	1,682,614	-	1,682,614
Debt Services	498,211	-	498,211
Locally Funded Program	238,006	-	238,006
State Funded Program	14,379	-	14,379
Federally Funded Programs	42,681	-	42,681
Student Activities	127,300	-	127,300
Unrestricted (Deficit)	(1,761,449)	422,505	(1,338,944)
Total Net Assets	\$ 14,081,842	\$ 730,420	\$ 14,812,262

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, 2012

		Program Revenues	
Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:			
Instruction:			
Regular Instruction	\$ 19,590,454	\$ 636,290	\$ 105,985
Special Instruction	3,992,853	103,070	530,290
Other Instruction	1,821,276	-	-
Supporting Services:			
Pupils	2,065,936	-	305,019
Instructional Staff	1,334,458	-	440,169
Board of Education	22,264	-	-
Administration	4,317,489	-	293,312
Fiscal Services	1,138,577	-	-
Business	5,331	-	-
Operation and Maintenance of Plant Services	3,455,919	7	-
Pupil Transportation	3,929,862	127,557	45,329
Central	47,347	-	14,400
Operation of Non-Instructional Services	71,051	82,972	30,656
Extracurricular Activities	812,192	828,529	-
Interest and Fiscal Charges	122,246	-	-
Total Governmental activities	42,727,255	1,778,425	1,765,160
Business-type activities:			
Food Services	1,699,584	979,436	641,882
Special Enterprise	289,947	363,928	-
Total Business-type activities	1,989,531	1,343,364	641,882
Total Primary Government	\$ 44,716,786	\$ 3,121,789	\$ 2,407,042

General Revenues:

- Property and Other Local Taxes levied for:
 - General Purposes
 - Debt Service Purpose
 - Capital Outlay
 - Other Purposes
- Payment in Lieu of Taxes
- Grants & Entitlements not restricted to specific programs
- Investment Income
- Gain on Sale of Capital Assets
- 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

Governmental Activities	Business-type Activities	Total
\$ (18,848,179)	\$ -	\$ (18,848,179)
(3,359,493)	-	(3,359,493)
(1,821,276)	-	(1,821,276)
(1,760,917)	-	(1,760,917)
(894,289)	-	(894,289)
(22,264)	-	(22,264)
(4,024,177)	-	(4,024,177)
(1,138,577)	-	(1,138,577)
(5,331)	-	(5,331)
(3,455,912)	-	(3,455,912)
(3,756,976)	-	(3,756,976)
(32,947)	-	(32,947)
42,577	-	42,577
16,337	-	16,337
(122,246)	-	(122,246)
(39,183,670)	-	(39,183,670)
-	(78,266)	(78,266)
-	73,981	73,981
-	(4,285)	(4,285)
(39,183,670)	(4,285)	(39,187,955)
21,323,420	-	21,323,420
653,851	-	653,851
1,267,318	-	1,267,318
2,581,393	-	2,581,393
100,634	-	100,634
12,914,086	-	12,914,086
8,650	-	8,650
184,542	-	184,542
651,791	406	652,197
4,400	(4,400)	-
39,690,085	(3,994)	39,686,091
506,415	(8,279)	498,136
13,575,427	738,699	14,314,126
\$ 14,081,842	\$ 730,420	\$ 14,812,262

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

Riverside Local School District

*Balance Sheet
Governmental Funds
June 30, 2012*

	General Fund	Permanent Improvement Levy	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ 1,089,035	\$ 1,468,443	\$ 808,252	\$ 3,365,730
Cash and Cash Equivalents:				
With Escrow Agents	-	2,500,000	-	2,500,000
Materials and Supplies Inventory	130,388	-	-	130,388
Intergovernmental Receivable	100,000	-	149,792	249,792
Property Taxes Receivable	22,959,952	1,347,320	3,224,856	27,532,128
Total Assets	\$ 24,279,375	\$ 5,315,763	\$ 4,182,900	\$ 33,778,038
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 175,782	\$ -	\$ 19,321	\$ 195,103
Accrued Wages and Benefits	2,809,801	-	113,938	2,923,739
Contracts Payable	631,048	335,586	-	966,634
Intergovernmental Payable	1,095,378	-	-	1,095,378
Retainage Payable	-	65,709	-	65,709
Interfund Payable	26,211	-	-	26,211
Deferred Revenue	21,156,020	1,233,610	3,022,780	25,412,410
Total Liabilities	25,894,240	1,634,905	3,156,039	30,685,184
 Fund Balances:				
Nonspendable	130,388	-	-	130,388
Restricted	-	3,680,858	815,531	4,496,389
Assigned	-	-	211,330	211,330
Unassigned (Deficit)	(1,745,253)	-	-	(1,745,253)
Total Fund Balances	(1,614,865)	3,680,858	1,026,861	3,092,854
Total Liabilities and Fund Balances	\$ 24,279,375	\$ 5,315,763	\$ 4,182,900	\$ 33,778,038

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, 2012

Total Governmental Funds Balance	\$ 3,092,854
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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	16,777,998
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Property taxes	<u>\$ 1,096,256</u>	
Total		1,096,256

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due.	(11,050)
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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	\$ (3,261,768)	
Deferred Charges on Refunding Bonds	(40,502)	
Capital Lease Payable	(2,500,000)	
Compensated Absences Payable	<u>(1,071,946)</u>	
Total		<u>(6,874,216)</u>

Net Assets of Governmental Activities	<u><u>\$ 14,081,842</u></u>
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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 Balances –
 Governmental Funds*
 For the Fiscal Year ended June 30, 2012

	General Fund	Permanent Improvement Levy	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 21,917,323	\$ 1,286,334	\$ 3,305,578	\$ 26,509,235
Intergovernmental	12,715,421	291,476	1,774,921	14,781,818
Interest	7,971	666	13	8,650
Tuition	449,135	-	-	449,135
Extracurricular Activities	244,309	-	312,141	556,450
Transportation Fees	127,557	-	-	127,557
Classroom Materials and Fees	539,633	-	-	539,633
Miscellaneous	785,541	-	2,624	788,165
Total Revenues	<u>36,786,890</u>	<u>1,578,476</u>	<u>5,395,277</u>	<u>43,760,643</u>
EXPENDITURES				
Current:				
Instruction:				
Regular Instruction	16,715,064	93,000	2,578,487	19,386,551
Special Instruction	3,554,873	-	467,876	4,022,749
Other Instruction	1,821,276	-	-	1,821,276
Supporting Services:				
Pupils	1,762,744	-	305,340	2,068,084
Instructional Staff	958,450	-	424,134	1,382,584
Board of Education	20,995	-	-	20,995
Administration	3,963,321	31,610	270,480	4,265,411
Fiscal Services	1,083,484	15,922	8,072	1,107,478
Business	5,331	-	-	5,331
Operation and Maintenance of Plant Services	3,063,205	1,503,298	-	4,566,503
Pupil Transportation	3,480,900	105,448	47,319	3,633,667
Central	32,947	-	14,400	47,347
Operation of Non-Instructional Services:				
Food Service Operations	29,114	-	-	29,114
Community Services	2,942	-	27,606	30,548
Extracurricular Activities	378,882	-	336,483	715,365
Capital Outlay	-	174,286	-	174,286
Debt Service:				
Principal Retirement	-	-	735,534	735,534
Interest and Fiscal Charges	12,833	-	133,399	146,232
Total Expenditures	<u>36,886,361</u>	<u>1,923,564</u>	<u>5,349,130</u>	<u>44,159,055</u>
Excess of Revenues Over (Under) Expenditures	<u>(99,471)</u>	<u>(345,088)</u>	<u>46,147</u>	<u>(398,412)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	8,554	1,550	200,000	210,104
Inception of Capital Lease	-	2,500,000	-	2,500,000
Transfer In	-	-	82,555	82,555
Transfer Out	(20,375)	(62,180)	-	(82,555)
Total Other Financing Sources (Uses)	<u>(11,821)</u>	<u>2,439,370</u>	<u>282,555</u>	<u>2,710,104</u>
Net Change in Fund Balances	(111,292)	2,094,282	328,702	2,311,692
Fund Balances - Beginning of Year	(1,457,741)	1,586,576	698,159	826,994
Increase (Decrease) in Inventory	(45,832)	-	-	(45,832)
Fund Balances - End of Year	<u>\$ (1,614,865)</u>	<u>\$ 3,680,858</u>	<u>\$ 1,026,861</u>	<u>\$ 3,092,854</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, 2012*

Net Change in Fund Balances-Total Governmental Funds \$ 2,311,692

*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	\$ 1,718,659	
Capital Contribution	4,400	
Depreciation	<u>(966,523)</u>	
Total		756,536

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. (25,562)

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

Property and other local taxes	(683,253)	
Intergovernmental	<u>(82,290)</u>	
Total		(765,543)

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. 749,741

A capital asset addition was financed through a capital lease. In the Governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligations is reported as a liability. (2,500,000)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (347)

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	15,604	
Change in Inventory	<u>(45,832)</u>	
Total		<u>(30,228)</u>

Change in Net Assets of Governmental Activities \$ 506,415

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 Balances –
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 22,686,801	\$ 22,918,408	\$ 22,918,408	\$ -
Intergovernmental	12,439,116	12,715,421	12,715,421	-
Interest	8,000	4,909	6,874	1,965
Tuition	405,854	446,005	449,135	3,130
Transportation Fees	100,000	127,096	129,423	2,327
Classroom Materials and Fees	453,421	539,964	539,964	-
Miscellaneous	240,000	729,002	729,548	546
Total Revenues	<u>36,333,192</u>	<u>37,480,805</u>	<u>37,488,773</u>	<u>7,968</u>
Expenditures				
Current:				
Instruction				
Regular	16,530,835	16,940,229	16,940,229	-
Special	3,709,545	3,533,415	3,533,415	-
Other	570,232	1,829,593	1,829,593	-
Supporting Services				
Pupils	1,649,486	1,767,715	1,767,715	-
Instructional Staff	766,301	969,316	969,316	-
Board of Education	7,000	20,995	20,995	-
Administration	3,813,115	3,986,979	3,986,979	-
Fiscal Services	976,422	1,145,149	1,140,253	4,896
Business	-	5,331	5,331	-
Operation and Maintenance of Plant Services	3,906,793	3,136,389	3,121,389	15,000
Pupil Transportation	3,870,268	3,608,623	3,608,623	-
Central	17,400	20,611	19,296	1,315
Operation of Non-Instructional Services				
Food Service Operations	19,184	28,731	28,731	-
Community Services	30,277	2,942	2,942	-
Extracurricular Activities	414,850	387,187	387,187	-
Debt Service:				
Principal	-	3,500,000	3,500,000	-
Interest & Fiscal Charges	-	12,833	12,833	-
Total Expenditures	<u>36,281,708</u>	<u>40,896,038</u>	<u>40,874,827</u>	<u>21,211</u>
Excess of Revenues Over (Under) Expenditures	<u>51,484</u>	<u>(3,415,233)</u>	<u>(3,386,054)</u>	<u>29,179</u>
Other Financing Sources (Uses)				
Sale of Assets	3,000	8,554	8,554	-
Tax Anticipation Notes Issued	-	3,500,000	3,500,000	-
Refund of Prior Year Expenditures	-	5,241	5,241	-
Transfers Out	(250,000)	(20,375)	(20,375)	-
Total Other Financings Sources (Uses)	<u>(247,000)</u>	<u>3,493,420</u>	<u>3,493,420</u>	<u>-</u>
Net Change in Fund Balance	(195,516)	78,187	107,366	29,179
Fund Balance - Beginning of Year	201,898	201,898	201,898	-
Prior Year Encumbrances Appropriated	443,353	443,353	443,353	-
Fund Balance - End of Year	<u>\$ 449,735</u>	<u>\$ 723,438</u>	<u>\$ 752,617</u>	<u>\$ 29,179</u>

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

Riverside Local School District

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Business-Type Activities
	Nonmajor Enterprise Funds
ASSETS	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 546,615
Materials and Supplies Inventory	17,537
Interfund Receivable	26,211
Total Current Assets	590,363
Noncurrent Assets:	
Capital Assets:	
Depreciable Capital Assets, Net of Depreciation	307,915
Total Noncurrent Assets	307,915
Total Assets	898,278
LIABILITIES	
Current Liabilities:	
Accounts Payable	8,624
Accrued Wages and Benefits	38,129
Compensated Absences Payable	4,997
Contracts Payable	23,556
Intergovernmental Payable	57,258
Total Current Liabilities	132,564
Noncurrent Liabilities:	
Compensated Absences Payable	35,294
Total Liabilities	167,858
NET ASSETS	
Invested in Capital Assets	307,915
Unrestricted	422,505
Total Net Assets	\$ 730,420

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, 2012

	Business-Type Activities
	Nonmajor Enterprise Funds
OPERATING REVENUES	
Sales	\$ 979,436
Charges for Services	363,928
Miscellaneous	406
Total Operating Revenues	1,343,770
OPERATING EXPENSES	
Salaries	696,184
Fringe Benefits	368,121
Purchased Services	61,854
Materials and Supplies	833,509
Depreciation	29,863
Total Operating Expense	1,989,531
Operating Income (Loss)	(645,761)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	560,487
Donated Commodities	81,395
Total Nonoperating Revenues (Expenses)	641,882
(Transfers Out)	(4,400)
Change in Net Assets	(8,279)
Net Assets - Beginning of Year	738,699
Net Assets - End of Year	\$ 730,420

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, 2012

	Business-Type Activities
	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 1,346,991
Other Cash Receipts	406
Cash Payments to Employees for Services	(695,484)
Cash Payments for Employee Benefits	(345,132)
Cash Payments for Goods and Services	(820,442)
Net Cash Provided by (Used in) Operating Activities	<u>(513,661)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Grants Received	<u>560,487</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>560,487</u>
Net Increase (Decrease) in Cash and Cash Equivalents	46,826
Cash and Cash Equivalents - Beginning of Year	499,789
Cash and Cash Equivalents - End of Year	<u><u>\$ 546,615</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (645,761)
Adjustments:	
Depreciation	29,863
Federal Donated Commodities	81,395
(Increase) Decrease in Assets:	
Accounts Receivable	3,627
Materials and Supplies Inventory	(3,223)
Increase (Decrease) in Liabilities:	
Accrued Wages and Benefits	(3,251)
Contracts Payable	(851)
Compensated Absences Payable	5,066
Matured Compensated Absences Payable	1,551
Intergovernmental Payable	17,923
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (513,661)</u></u>

Schedule of Noncash Financing Activities

During the year, the Food Services fund received noncash items of Donated Commodities of \$81,395.

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, 2012

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 68,071
Cash and Cash Equivalents:	
in Segregated Accounts	<u>9,613</u>
Total Assets	<u><u>\$ 77,684</u></u>
Liabilities	
Due to Employees	\$ 9,613
Due to Students	68,071
Total Liabilities	<u><u>\$ 77,684</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, 2012*

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 5,024. The District employed 282 certificated employees and 212 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 18 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, 2012

(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 are the District's only major governmental funds:

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

Permanent Improvement Levy - The Permanent Improvement Levy Fund is used to account for the proceeds of a special levy for capital project purposes.

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. The District does not maintain an internal service fund.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Fund Accounting (Continued)

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, adult education program, and the latchkey programs.

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 two agency funds: the Student Activities 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, 2012

(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, 2012

(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 8). 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.

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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the 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, 2012

(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 and Cash Equivalents in Segregated Accounts” since they are not required to be deposited into the District’s treasury.

During fiscal year 2012, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on June 30, 2012.

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 2012 amounted to \$7,971. The amount allocated from the other funds during fiscal year 2012 amounted to \$5,563.

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, 2012

(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 could include amounts required by statute to be set aside for the purchase of capital improvements. See Note 23 for the calculation of restricted assets.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012 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, 2012.

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 and purchased food 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, 2012

(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, 2012

(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

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the District’s Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. This fund balance classification was not utilized in fiscal year 2012.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Fund Balance (Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the District's Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Assets

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

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

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are for sales of food service, adult education, and latchkey programs. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the fund.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 2012.

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.

Tax Budget

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

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

R. Budgetary Data (Continued)

Estimated Resources

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the 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 2012.

Appropriations

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to encumber 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 part of restricted, committed, or assigned fund balance for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

R. Budgetary Data (Continued)

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 – Changes in Accounting Principles

For fiscal year 2012, the District implemented GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*.

GASB Statement No. 64 enhances the comparability and improves financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of this Statement did not have an effect on the District's financial statements.

Note 4 – Accountability and Compliance

Fund Deficits

The following fund had a deficit fund balance as of June 30, 2012:

<u>General Fund</u>	\$1,614,865
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The deficit in the above fund resulted from the 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

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 5 – 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 part of restricted, committed, and assigned fund balances (GAAP) basis; and
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance - General Fund</u>	
GAAP Basis	\$ (111,292)
Net Adjustment for Revenue Accruals	4,502,204
Net Adjustments for Expenditure Accruals	(4,127,222)
Fund with Separate Legally Adopted Budgets	(42,489)
Adjustment for Encumbrances	(113,835)
Budget Basis	<u>\$ 107,366</u>

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 6 – Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General Fund, the Permanent Improvement Levy Fund, and all other governmental funds are presented below:

Fund Balances	General	Permanent Improvement Levy	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Inventories	\$ 130,388	\$ -	\$ -	\$ 130,388
<i>Total Nonspendable</i>	<u>130,388</u>	<u>-</u>	<u>-</u>	<u>130,388</u>
<i>Restricted for</i>				
Special Levy	-	-	143,913	143,913
Student Activities	-	-	127,300	127,300
Auxiliary Services	-	-	14,379	14,379
Education Jobs	-	-	18,345	18,345
Special Education	-	-	20,966	20,966
Title II-D - Technology	-	-	2,546	2,546
Disadvantaged Children	-	-	6,952	6,952
Teacher Development	-	-	2,821	2,821
Debt Service	-	-	478,309	478,309
Capital Improvements	-	3,680,858	-	3,680,858
<i>Total Restricted</i>	<u>-</u>	<u>3,680,858</u>	<u>815,531</u>	<u>4,496,389</u>
<i>Assigned to</i>				
Capital Improvements	-	-	211,330	211,330
<i>Total Assigned</i>	<u>-</u>	<u>-</u>	<u>211,330</u>	<u>211,330</u>
<i>Unassigned (Deficit)</i>				
	(1,745,253)	-	-	(1,745,253)
Total Fund Balances	<u><u>\$ (1,614,865)</u></u>	<u><u>\$ 3,680,858</u></u>	<u><u>\$ 1,026,861</u></u>	<u><u>\$ 3,092,854</u></u>

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 7 – 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.

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;

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 7 – Deposits and Investments (Continued)

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

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

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

Cash on Hand

At fiscal year end, the District had \$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, 2012, the carrying amount of the District's deposits was \$3,347,865 (which included \$9,613 in cash in segregated accounts) and the bank balance was \$4,348,968. Of the District's bank balance, the full amount was covered by Federal Depository Insurance and there were no amounts that were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

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

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 7 – Deposits and Investments (Continued)

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

Investments

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

Cash and investments at year-end were as follows:

<u>Cash and Investments</u>	<u>Fair Value</u>	<u>Credit Rating (*)</u>	<u>Investment Maturity (in Years) < 1</u>
STAROhio	\$ 641,964	AAAm	\$ 641,964
Carrying Amount of Deposits	3,347,865		
Petty Cash	200		
Total Cash and Investments	<u>\$3,990,029</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.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 7 – Deposits and Investments (Continued)

Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's negotiable certificates of deposit are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District's investment in STAR Ohio 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; 100 percent is with STAR Ohio.

Note 8 – 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 certain tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are paid annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 8 – Property Taxes (Continued)

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Riverside Local School District. The County Auditor periodically remits to the District its portion of taxes. Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2012. 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, 2012, was \$2,219,718 and is recognized as revenue. \$1,903,932 was available to the General Fund, \$143,345 was available to the Special Levy fund, \$58,731 was available to the Bond Retirement fund, and \$113,710 was available to the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Precent	Amount	Precent
Agricultural/Residential and Other Real Estate	\$ 1,001,601,110	98.07%	\$ 973,187,920	97.93%
Public Utility	19,725,920	1.93%	20,526,840	2.07%
Total Assessed Value	\$ 1,021,327,030	100.00%	\$ 993,714,760	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	\$ 55.68		\$ 55.79	

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 9 – Lake County School Financing District

The Board of Education of the Lake County School Financing 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 Financing 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 the 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, 2012
(Continued)

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
<u>Governmental Activities</u>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,495,805	\$ -	\$ (10,000)	\$ 1,485,805
Construction in Progress	448,719	1,329,101	(136,745)	1,641,075
<i>Total Capital Assets, not being depreciated</i>	<u>1,944,524</u>	<u>1,329,101</u>	<u>(146,745)</u>	<u>3,126,880</u>
<i>Capital Assets being depreciated:</i>				
Land Improvements	2,667,768	-	-	2,667,768
Building and Improvements	15,808,892	103,542	(66,515)	15,845,919
Furniture, Fixtures, and Equipment	4,091,978	394,058	-	4,486,036
Vehicles	5,443,342	33,103	(72,000)	5,404,445
<i>Total Capital Assets being depreciated</i>	<u>28,011,980</u>	<u>530,703</u>	<u>(138,515)</u>	<u>28,404,168</u>
Less Accumulated Depreciation:				
Land Improvements	(1,171,646)	(106,553)	-	(1,278,199)
Buildings and Improvements	(6,962,447)	(311,460)	59,864	(7,214,043)
Furniture, Fixtures, and Equipment	(2,765,995)	(203,802)	-	(2,969,797)
Vehicles	(3,009,392)	(344,708)	63,089	(3,291,011)
Total Accumulated Depreciation	<u>(13,909,480)</u>	<u>(966,523)</u>	<u>122,953</u>	<u>(14,753,050)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>14,102,500</u>	<u>(435,820)</u>	<u>(15,562)</u>	<u>13,651,118</u>
Governmental Activities Capital Assets, net	<u>\$ 16,047,024</u>	<u>\$ 893,281</u>	<u>\$ (162,307)</u>	<u>\$ 16,777,998</u>
<u>Business-Type Activities</u>				
Construction in Progress	\$ 4,400	\$ -	\$ (4,400)	\$ -
Furniture, Fixtures, and Equipment	640,042	-	-	640,042
Less Accumulated Depreciation	(302,264)	(29,863)	-	(332,127)
Business-Type Activities Capital Assets, net	<u>\$ 342,178</u>	<u>\$ (29,863)</u>	<u>\$ (4,400)</u>	<u>\$ 307,915</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 286,070
Support Services:	
Board of Education	1,269
Administration	48,047
Fiscal	782
Operation and Maintenance of Plant	190,018
Pupil Transportation	332,121
Operation of Non-Instructional Services:	
Food Services	11,389
Extracurricular Activities	96,827
Total	<u>\$ 966,523</u>

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 11 – Short-Term Obligations

The changes in the District’s short-term obligations during fiscal year 2012 were as follows:

	Balance 6/30/2011	Additions	Retirements	Balance 6/30/2012
<u>Governmental Activities</u>				
Tax Revenue Anticipation Notes, Series 2011 - 0.75%	\$ -	\$ 3,500,000	\$ (3,500,000)	\$ -
Total Governmental Activities	\$ -	\$ 3,500,000	\$ (3,500,000)	\$ -

On November 15, 2011, the District issued \$3,500,000 in Tax Revenue Anticipation Notes, Series 2011, with an interest rate of 0.75 percent and a maturity date of May 15, 2012. The proceeds from these notes were used to fund current operations. The retirement of the notes was made by the General Fund.

Note 12 – Long-Term Obligations

The changes in the District’s long-term obligations during fiscal year 2012 were as follows:

	Balance 6/30/2011	Additions	Retirements	Balance 6/30/2012	Amounts Due in One Year
<u>Governmental Activities</u>					
General Obligation Bond 2005 - 5.33%	\$ 312,302	\$ -	\$ (45,534)	\$ 266,768	\$ 47,961
<u>School Improvement Refunding:</u>					
2003 Serial Bonds - 2.00-3.15%	2,140,000	-	(690,000)	1,450,000	715,000
2003 Term Bonds - 4.00%	1,545,000	-	-	1,545,000	-
Deferred Charges	50,628	-	(10,126)	40,502	-
Total Refunding Bonds	3,735,628	-	(700,126)	3,035,502	715,000
Capital Leases	14,207	2,500,000	(14,207)	2,500,000	479,137
Compensated Absences	1,087,550	183,509	(199,113)	1,071,946	196,257
Total Governmental Activities	\$ 5,149,687	\$ 2,683,509	\$ (958,980)	\$ 6,874,216	\$ 1,438,355
<u>Business-Type Activities</u>					
Compensated Absences	\$ 38,740	\$ 5,224	\$ (3,673)	\$ 40,291	\$ 4,997

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 .80 mill bonded debt tax levy. Compensated absences 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 13 for more detail on the capital lease.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 12 – Long-Term Obligations (Continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	General Obligation Bond		School Improvement Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 266,768</u>	<u>\$ 34,851</u>	<u>\$ 2,995,000</u>	<u>\$ 231,353</u>	<u>\$ 3,261,768</u>	<u>\$ 266,204</u>

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, 2012, the amount of defeased debt outstanding amounted to \$3,155,000.

Note 13 – Capital Lease Obligation

During the current and prior fiscal years, the District entered into lease agreements that qualify as capital leases for accounting purposes. Therefore, these capital leases have 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 leases are for the purchase of 288 Dell computers in the amount financed of \$186,811 and for the construction of HVAC and electrical equipment at Hale Road Elementary School in the amount financed of \$2,500,000. Though the computer 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 lease agreement for the improvements at Hale Road Elementary School identified FirstMerit Bank as the escrow agent for the lease proceeds (\$2,500,000). As of June 30, 2012, the District has not drawn down on the proceeds in the escrow account.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 13 – Capital Lease Obligation (Continued)

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

Fiscal Year Ending June 30,	
2013	\$ 529,611
2014	529,611
2015	529,611
2016	529,611
2017	<u>529,611</u>
Minimum Lease Payments	2,648,055
Less: Amount Representing Interest	<u>(148,055)</u>
Present Value of Net Lease Payments	<u><u>\$ 2,500,000</u></u>

In fiscal year 2012, the principal and interest expenses related to the computer capital lease, in the amount of \$14,207 and \$738, 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, 2012

(Continued)

Note 14 – 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 62 days

Note 15 – 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.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 15 – 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 among 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 has **(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 member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.20 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.50 percent with an additional one-tenth of a percent added to the calculation for every year over 31 years (2.60 percent for 32 years, 2.70 percent for 33 years and so on) until 100.00 percent of the final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.50 percent instead of 2.20 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 10.50 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, 2012

(Continued)

Note 15 – Defined Benefit Pension Plans (Continued)

State Teachers Retirement System (Continued)

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1.00 percent of the member's final average salary by the member's 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 3.00 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 to \$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, 2011 (the latest information available), members were required to contribute 10.00 percent of their annual covered salary and the District was required to contribute 14.00 percent. Member and employer contribution rates were established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10.00 percent for members and 14.00 percent for employers provided by Chapter 3307 of the Ohio Revised Code. Of the 14.00 percent contributed by the District, 13.00 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, 2012

(Continued)

Note 15 – 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, 2012, 2011, and 2010 were \$2,385,798, \$2,515,127, \$2,520,556, respectively; 83.47 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. 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 on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

Funding Policy - Plan members are required to contribute 10.00 percent of their annual covered salary and the District is required to contribute 14.00 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 (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14.00 percent employer contribution rate is allocated to the Health Care and Medicare B funds. The District's pension and death benefits contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$676,723, \$759,069, \$847,539, respectively; 50.67 percent has been contributed for fiscal year 2012 and 100 percent for fiscal year 2011 and 2010.

Note 16 – Post-Employment Benefits Other Than Pension Benefits

State Teachers Retirement System

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Plan and the Defined Contribution Plan.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 16 – Post-Employment Benefits Other Than Pension Benefits (Continued)

State Teachers Retirement System (Continued)

Ohio law authorizes STRS Ohio 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.

Pursuant to 3307 of the 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 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 14.00 percent employer contribution rate, 1.00 percent of covered payroll was allocated to post-employment health care for years ended June 30, 2011, 2010, and 2009 (the latest information available). The 14.00 percent employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2012, 2011, and 2010, the District's contributions to post-employment health care were \$183,523, \$193,471, \$193,889, respectively; 83.47 percent has been contributed for 2012 and 100 percent for fiscal years 2011 and 2010.

School Employees Retirement System

Plan Description – In addition to a cost-sharing multiple-employer defined benefit pension plan described in Note 15, SERS administers two postemployment benefit plans.

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 (ORC) 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month, depending on their income. SERS' reimbursement to retirees was \$45.50.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 16 – Post-Employment Benefits Other Than Pension Benefits (Continued)

School Employees Retirement System (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is 0.75 percent. For the fiscal years ended June 30, 2012, 2011, and 2010, the District's contributions to the Medicare Part B Plan were \$39,964, \$48,848, \$50,401, respectively; 50.67 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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.

The 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 employer 14.00 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is 0.55 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 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14.00 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, 2012, 2011, and 2010 were \$110,273, \$189,905, \$167,056, respectively; 50.67 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 16 – Post-Employment Benefits Other Than Pension Benefits (Continued)

School Employees Retirement System (Continued)

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Note 17 – 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 2012, 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 \$87,428,100.

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 and \$1,000 for 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 18 – Jointly Governed Organizations

The Lake Geauga Computer Association (LGCA) is a jointly governed organization among a 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 \$169,499 to LGCA during fiscal year 2012. 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.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 18 – Jointly Governed Organizations (Continued)

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 2012, the District paid \$1,838 to the Council. Financial information can be obtained by contacting William J. Zelei, Executive Director, at the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The District participates in the Council's electric purchasing program, which was implemented in 2005. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for a three-year period. The participants make monthly payments based upon estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made. As of January 1, 2010, the program ended and is now a group rate that is utilized for the purchase of electricity.

Note 19 – OSBA Workers' Compensation Group Rating Program

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

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

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 20 – Risk-Sharing Pool

The District participates in the Lake County Council of Governments' Health Care Benefits (HCBP) Self-Insurance Program, a risk-sharing 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 2012. 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.

Note 21 – Contingencies

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

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.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 22 – Interfund Transactions

A. Interfund Transfers

As of June 30, 2012, interfund transfers were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
<u>Major Governmental Funds</u>		
General Fund	\$ -	\$ 20,375
Permanent Improvement Levy Fund	-	62,180
<u>Nonmajor Governmental Funds</u>		
Nonmajor Special Revenue Funds	20,375	-
Nonmajor Debt Service Fund	62,180	-
Totals	<u>\$ 82,555</u>	<u>\$ 82,555</u>

Transfers of \$62,180, representing property tax levy funds coming into the District, were made from the Permanent Improvement Levy Fund to the nonmajor debt service fund to assist with the retirement of related debt. Transfers of \$20,375 from the General Fund to various other funds were made to provide additional resources for current operations.

B. Interfund Receivables and Payables

As of June 30, 2012, internal balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Enterprise Fund	General Fund	\$ 26,211

The General Fund payable of \$26,211 to the nonmajor enterprise fund for interest income is to be paid in the subsequent years.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 23 – 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 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 textbooks and instructional materials and budget stabilization.

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

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of June 30, 2011	\$ -
Current Year Set-Aside Requirements	870,656
Qualifying Disbursements	<u>(1,890,917)</u>
Total	<u><u>\$ (1,020,261)</u></u>
Set-Aside Balances Carried Forward to Future Years	<u>\$ -</u>
Set-Aside Reserve Balance as of June 30, 2012	<u><u>\$ -</u></u>

Effective July 1, 2011, the textbook and instructional materials set aside is no longer required and has been removed from existing law. Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

Riverside Local School District

Notes to the Basic Financial Statements

For the Fiscal Year ended June 30, 2012

(Continued)

Note 24 – Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of June 30, 2012, the District's commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
General	\$ 91,397
Permanent Improvement Levy	508,240
Nonmajor Governmental	21,629
Total	<u>\$ 621,266</u>

RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture					
<i>Passed Through Ohio Department of Education</i>					
<i>Nutrition Cluster:</i>					
School Breakfast Program	10.553	\$129,249	\$0	\$129,249	\$0
National School Lunch Program	10.555	419,591	81,395	419,591	81,395
Total Nutrition Cluster		<u>548,840</u>	<u>81,395</u>	<u>548,840</u>	<u>81,395</u>
Total U.S. Department of Agriculture		<u>548,840</u>	<u>81,395</u>	<u>548,840</u>	<u>81,395</u>
U.S. Department of Education					
<i>Passed Through Ohio Department of Education</i>					
<i>Special Education Cluster:</i>					
Special Education: Preschool Grants	84.173	23,403	-	24,084	-
Preschool Grants - Recovery Act	84.392	17,694	-	19,722	-
Special Education Grants to States - Recovery Act	84.391	32,747	-	43,761	-
Special Education Grants to States	84.027	721,786	-	708,482	-
Total Special Education Cluster		<u>795,630</u>	<u>-</u>	<u>796,049</u>	<u>-</u>
Title I Grants to Local Educational Agencies - Recovery Act	84.389	21,097	-	21,304	-
Title I Grants to Local Educational Agencies	84.010	322,579	-	316,128	-
		<u>343,676</u>	<u>-</u>	<u>337,432</u>	<u>-</u>
Education JOBS	84.410	292,086	-	289,075	-
English Language Acquisition Grants	84.365	16,918	-	17,318	-
Education Technology State Grants	84.318	2,598	-	52	-
Race to the Top - Recovery Act	84.395	2,100	-	-	-
Improving Teacher Quality State Grants	84.367	118,394	-	121,189	-
Total U.S. Department of Education		<u>1,571,402</u>	<u>-</u>	<u>1,561,115</u>	<u>-</u>
Total Federal Assistance		<u>\$2,120,242</u>	<u>\$81,395</u>	<u>\$ 2,109,955</u>	<u>\$81,395</u>

The accompanying notes to this schedule are an integral part of this schedule.

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE C - NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal monies received by the District for these programs are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

CFDA - Catalog of Federal Domestic Assistance



Dave Yost • Auditor of State

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

Riverside Local School District
Lake County
585 Riverside Drive
Painesville, Ohio 44077

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District'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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 28, 2013.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, pass-through entities and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 28, 2013



Dave Yost • Auditor of State

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

Riverside Local School District
Lake County
585 Riverside Drive
Painesville, Ohio 44077

To the Board of Education:

Compliance

We have audited the compliance of the Riverside Local School District, Lake County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Riverside Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Riverside Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the District, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

February 28, 2013

**RIVERSIDE LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Program(list):	CFDA # 84.010/84.389 - Title 1 CFDA # 84.410 - Education JOBS
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(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



Dave Yost • 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
MARCH 14, 2013