RIVERSIDE COMMUNITY SCHOOL, INC.
HAMILTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

RIVERSIDE COMMUNITY SCHOOL, INC.
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Riverside Community School, Inc.
Hamilton County
3280 River Road
Cincinnati, Ohio 45204

To the Board of Directors:

We have audited the accompanying basic financial statements of the Riverside Community School, Inc., Hamilton County, Ohio, (the School) as of and for the year ended June 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Riverside Community School, Inc., Hamilton County, Ohio, (the School) as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements. The Federal Awards Revenues and Expenses Schedule is 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. We subjected the Federal Awards Revenues and Expenses Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 31, 2009

RIVERSIDE COMMUNITY SCHOOL, INC.
HAMILTON COUNTY

MANAGEMENT'S DICUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

The discussion and analysis of the Riverside Community School, Inc. (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 ***Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*** issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets increased $25,735, which represents an 11.8 percent increase from 2007. This increase was due to an increase in grant receivables from the state. There was also a decrease in continuing fees payable.

- Total assets increased $208,803, which represents a 49.6 percent increase from 2007. This was primarily due to a significant increase in grants funding receivable and also an increase in cash.

- Liabilities increased $183,068, which represents a 90.3 percent increase from 2007. The increase in liabilities is a result of the increase in payables that relate to the School's grant funding in 2007.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets answers the question of how the School did financially during 2008. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2008 and fiscal year 2007.

(Table 1)
Net Assets

	2008	2007
Assets		
Current Assets	$ 537,693	$ 309,326
Capital Assets, Net	92,127	111,691
Total Assets	$ 629,820	$ 421,017
Liabilities		
Current Liabilities	$ 385,858	$ 202,790
Net Assets		
Invested in Capital Assets	$ 92,127	$ 111,691
Unrestricted	151,835	106,536
Total Net Assets	$ 243,962	$ 218,227

Total assets increased $208,803. This increase was primarily due to an increase in grants funding receivable from 2007. Liabilities increased by $183,068 from 2007. This increase is the result of an increase in the School's grants funding payable to the management company as a result of the management agreement in place with WHLS.

Statement of Revenues, Expenses, and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal year 2008 and fiscal year 2007, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2008	2007
Operating Revenues		
State Aid	$ 3,660,813	$ 3,229,557
Non-Operating Revenues		
Grants	1,001,636	773,603
Interest	9,735	9,776
Miscellaneous	68	57
Total Revenues	4,672,252	4,012,993
Operating Expenses		
Purchased Services: Management Fees	3,550,989	3,132,670
Purchased Services: Grant Programs	1,001,636	773,603
Sponsorship Fees	18,307	16,147
Legal	7,891	9,660
Advertising	27	-
Insurance	16,119	16,169
Board of Education	852	-
Auditing and Accounting	9,308	9,174
Depreciation	41,227	31,200
Miscellaneous	161	256
Total Expenses	4,646,517	3,988,879
Increase in Net Assets	$ 25,735	$ 24,114

State Aid revenues increased in 2008 due to an increase in full-time equivalent (FTE) enrollment. The School's most significant expenses, "Purchased Services" increased as well because of the management agreement in place between the School and WHLS. As stated previously, the agreement provides that specific percentages of the revenues received by the School will be paid to WHLS to fund operations. (See Notes to the Basic Financial Statements, Note 7.)

Capital Assets

At the end of fiscal year 2008 the School had $92,127, in leasehold improvements, equipment, computers & software, construction in progress, and furniture and fixtures, which represented a decrease of $19,564 from 2007. Table 3 shows the respective balances for both fiscal years 2008 and fiscal year 2007.

(Table 3)
Capital Assets
(Net of Depreciation)

	2008	2007
Leasehold Improvements	$ 19,897	$ 3,300
Computers and Software	36,541	65,276
Equipment	24,257	34,294
Construction in Progress	-	8,821
Furniture and Fixtures	11,432	-
Totals	$ 92,127	$ 111,691

For more information on capital assets, see Note 5 in the Notes to the Basic Financial Statements.

Current Financial Issues

The Riverside Community School, Inc. received revenue for 536 students in 2008. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries.

The School receives its support almost entirely from State Aid. Per pupil revenue for the School in fiscal year 2008 averaged $6,830. The School receives additional revenues from grant subsidies.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Fiscal Officer for the Riverside Community School, Inc., 159 South Main Street, Suite 600, Akron, Ohio 44308.

RIVERSIDE COMMUNITY SCHOOL, INC.
HAMILTON COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	248,207
Continuing Fees Receivable		26
Grants Funding Receivable		289,460
Total Current Assets		537,693
Noncurrent Assets		
Capital Assets, Net		92,127
Total Assets	$	629,820
LIABILITIES		
Current Liabilities		
Grants Funding Payable	$	385,831
State Funding Payable		27
Total Liabilities	$	385,858
NET ASSETS		
Invested in Capital Assets	$	92,127
Unrestricted		151,835
Total Net Assets	$	243,962

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

RIVERSIDE COMMUNITY SCHOOL, INC.
HAMILTON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES	
State Aid	$ 3,660,813
OPERATING EXPENSES	
Purchased Services: Management Fees	3,550,989
Purchased Services: Grant Programs	1,001,636
Sponsorship Fees	18,307
Legal	7,891
Advertising	27
Insurance	16,119
Board of Education	852
Auditing and Accounting	9,308
Miscellaneous	161
Depreciation	41,227
Total Operating Expenses	4,646,517
Operating Loss	(985,704)
NON-OPERATING REVENUE	
Miscellaneous	68
Grants	1,001,636
Interest	9,735
Total Non-Operating Revenue	1,011,439
Change in Net Assets	25,735
Net Assets, July 1, 2007	218,227
Net Assets, June 30, 2008	$ 243,962

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

RIVERSIDE COMMUNITY SCHOOL, INC.
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
CASH FLOW FROM OPERATING ACTIVITIES	
Cash Received from State Sources	$ 3,661,170
Cash Payments to Suppliers for Goods and Services	(4,422,275)
Net Cash Used for Operating Activities	(761,105)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Expenses	(21,663)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Grant Programs	855,661
Cash Received from Miscellaneous Receipts	68
Cash Received From Non-Capital Activities	855,729
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash Received from Interest Income	9,735
Net Increase in Cash and Cash Equivalents	82,696
Cash and Cash Equivalents at Beginning of Year	165,511
Cash and Cash Equivalents at End of Year	$ 248,207
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating Loss	$ (985,704)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Depreciation	41,227
Changes in Assets and Liabilities:	
State Funding Receivable	330
Continuing Fees Receivable	(26)
Accounts Payable	(35)
State Funding Payable	27
Grants Funding Payable	183,396
Continuing Fees Payable	(320)
Total Adjustments	224,599
Net Cash Used for Operating Activities	$ (761,105)

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

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Riverside Community School, Inc. (dba "Riverside Academy") (the School) is a federal 501(c)(3) tax-exempt, state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with WHLS of Ohio, LLC (WHLS) for most of its functions. (See Note 7.)

The School signed a contract with Ohio Council of Community Schools (OCCS) (Sponsor) to operate for a period from July 1, 2005 through June 30, 2010. The School operates under a self-appointing, six-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility, which is leased by WHLS. The facility is staffed with teaching personnel employed by WHLS, who provide services to 536 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with GASB pronouncements. The School does not apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described on the following pages.

A. BASIS OF PRESENTATION

The School's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. BUDGETARY PROCESS

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2008. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

D. CASH AND CASH EQUIVALENTS

All cash received by the School is maintained in a demand deposit account and STAROhio. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

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

E. INTERGOVERNMENTAL REVENUES

The School currently participates in the State Foundation Program which is reflected under "State Aid" on the Statement of Revenues, Expenses, and Changes in Net Assets. Revenue received from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. INTERGOVERNMENTAL REVENUES (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2008 school year totaled $4,662,449.

F. CAPITAL ASSETS AND DEPRECIATION

For purposes of recording capital assets, the Board has a capitalization threshold of $5,000.

The capital assets are recorded on the accompanying Statement of Net Assets at cost, net of accumulated depreciation of $92,127. Depreciation is computed by the straight-line method over three years for “Computers and Software”, five years for “Furniture and Fixtures” and “Equipment”, and twenty years for “Leasehold Improvements”.

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS. (See Note 7.)

G. USE OF ESTIMATES

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets consist of capital assets, net of accumulated depreciation, and unrestricted net assets.

I. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the School’s primary activities. For the School, these revenues are primarily State Aid payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the School. Revenues and expenses not meeting this definition are reported as non-operating.

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all School deposits was $5,013. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, none of the School's bank balance of $6,737 was exposed to custodial risk as discussed below, since all of the bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

B. Investments

As of June 30, 2008, the School had the following investments and maturities:

		Investment Maturities		
Investment type	Balance at Fair Value	6 months or less	7 to 12 months	Greater than 24 months
STAROhio	$ 243,194	$ 243,194	$ -	$ -

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAROhio an AAAm money market rating.

Concentration of Credit Risk: The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2008:

Investment type	Fair Value	% to Total
STAROhio	$ 243,194	100.00

4. GRANTS FUNDING RECEIVABLE/PAYABLE

The School has recorded "Grants Funding Receivable" in the amount of $289,460 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2008.

Additionally, under the terms of the management agreement (See Note 7.), the School has recorded a liability to WHLS in the amount of $385,831 for 100 percent of any State and Federal monies uncollected or unpaid to WHLS as of June 30, 2008.

5. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2008, the School's capital assets consisted of the following:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Capital Assets Not Being Depreciated:				
Construction in Progress	$ 8,821	$ -	$ (8,821)	$ -
Capital Assets Being Depreciated:				
Leasehold Improvements	4,715	17,641	-	22,356
Furniture & Fixtures	4,300	12,843	-	17,143
Equipment	50,186	-	-	50,186
Computers & Software	109,025	-	-	109,025
Total Capital Assets Being Depreciated	168,226	30,484	-	198,710
Less Accumulated Depreciation:				
Leasehold Improvements	(1,415)	(1,044)	-	(2,459)
Furniture & Fixtures	(4,300)	(1,411)	-	(5,711)
Equipment	(15,892)	(10,037)	-	(25,929)
Computers & Software	(43,749)	(28,735)	-	(72,484)
Total Accumulated Depreciation	(65,356)	(41,227)	-	(106,583)
Total Capital Assets Being Depreciated, Net	102,870	(10,744)	-	86,900
Total Capital Assets, Net	$ 111,691	$ (10,743)	$ (8,821)	$ 92,127

6. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement (See Note 7.) There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

Director and Officer - Coverage has been purchased by the School with a $5,000,000 aggregate limit and a $15,000 deductible.

7. AGREEMENT WITH WHLS

Effective July 1 2006, the School entered into a revised Management Agreement (Agreement) with WHLS, which is an educational consulting and management company. The term of the new Agreement with WHLS will renew for additional, successive one (1) year terms unless one party notifies the other party on or before the February 1st prior to the expiration of the then-current term of its intention to not renew the Agreement. Substantially all functions of the School have been contracted to WHLS. WHLS is responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School is required to pay WHLS a monthly continuing fee of 97 percent of the School's "Qualified Gross Revenues", defined in the Agreement as, "...all revenues and income received by the School except for charitable contributions" and "WHLS shall receive 100 percent of any and all grants or funding of any kind generated by WHLS, and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any." The continuing fee is paid to WHLS based on the qualified gross revenues.

The School had purchased service expenses for the year ended June 30, 2008, to WHLS of $4,552,625 of which $385,831 was payable to WHLS at June 30, 2008. WHLS will be responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

8. SPONSORSHIP FEES

Under Paragraph D(5) of the sponsor contract with OCCS, it states that the School "…shall pay to the Sponsor the amount of one half of one percent (1/2%) of the total state funds received each year, in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant to this contract." Such fees are paid to the OCCS monthly. As indicated on the Statement of Revenues, Expenses, and Changes in Net Assets, the School incurred $18,307 in sponsorship fees to OCCS.

9. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2008, WHLS of Ohio, LLC and its affiliates incurred the following expenses on behalf of the School:

	2008
Expenses	
Direct Expenses:	
Salaries and wages	$ 1,540,162
Employees' benefits	462,614
Professional and technical services	283,323
Property services	406,918
Travel	9,268
Communications	13,995
Utilities	105,523
Books, periodicals, and films	24,813
Food and related supplies	206,156
Other supplies	111,035
Depreciation	116,399
Other direct costs	50,465
Indirect Expenses:	
Overhead	603,673
Total Expenses	$ 3,934,344

9. MANAGEMENT COMPANY EXPENSES (Continued)

Overhead charges are assigned to the School based on a percentage of revenue. These charges represent the indirect cost of services provided in the operation of the School. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support, marketing and communications.

10. DEFINED BENEFIT PENSION PLANS

The School has contracted with WHLS to provide employee services and to pay those employees. However, these contract services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to each of the systems noted below (See Note 7.)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

Plan Description – WHLS, on behalf of the School, contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $37,618, $42,005, and $52,816 respectively; 100 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description – WHLS, on behalf of the School, participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. STATE TEACHERS RETIREMENT SYSTEM (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. WHLS, on behalf of the School, was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

WHLS' required contributions on behalf of the School for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $157,253, $159,285, and $167,107 respectively; 100 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were $12,244 made by the School and $18,659 made by the plan members.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. The contribution rate is 6.2 percent of wages. As of June 30, 2008, there were no members that elected Social Security.

11. POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

Plan Description – WHLS, on behalf of the School, participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

WHLS' contributions on behalf of the School for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $23,361, $15,605, and $19,799 respectively; 100 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $2,710, $2,675, and $3,894 respectively; 100 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description – WHLS, on behalf of the School contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

11. POSTEMPLOYMENT BENEFITS (Continued)

B. STATE TEACHERS RETIREMENT SYSTEM (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $12,096, $12,253, and $12,854 respectively; 100 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

12. CONTINGENCES

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

13. ACCOUNTABILITY

Change in Accounting Policies

For fiscal year 2008, the School has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representation in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the School; however, certain disclosures related to postemployment benefits (see Note 11) have been modified to conform to the new reporting requirements.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the School.

RIVERSIDE COMMUNITY SCHOOL, INC.
HAMILTON COUNTY

FEDERAL AWARDS REVENUES AND EXPENSES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / ***Pass Through Grantor/*** / **Program Title**	Federal CFDA Number	Revenues	Expenses
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	$168,253	$168,253
School Breakfast Program	10.553	78,786	78,786
Total U.S. Department of Agriculture - Child Nutrition Cluster		247,039	247,039
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education Grants to States (IDEA Part B)	84.027	131,311	131,311
Improving Teacher Quality State Grants	84.367	50,976	50,976
Education Technology State Grants	84.318	4,799	4,799
Grants to Local Educational Agencies (ESEA Title 1)	84.010	548,053	548,053
Innovative Educational Program Strategies	84.298	1,389	1,389
Safe and Drug-Free Schools and Communities State Grants	84.186	4,436	4,436
Total U.S. Department of Education		740,964	740,964
Total		$988,003	$988,003

The accompanying notes are an integral part of this schedule.

RIVERSIDE COMMUNITY SCHOOL, INC.
HAMILTON COUNTY

NOTES TO THE FEDERAL AWARDS REVENUES AND EXPENSES SCHEDULE
JUNE 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Revenues and Expenses Schedule (the Schedule) summarizes activity of the School's federal award programs. The Schedule has been prepared on the full accrual basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - TRANSFERS

The School generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a School can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2009, the Ohio Department of Education authorized the following transfers:

CFDA Number	Program Description	Grant Year	Transfer- In	Transfer-Out
84.010	Title I State Grants	2009	$43,154	
84.010	Title I State Grants	2008		$43,154
84.318	Education Technology State Grants	2009	698	
84.318	Education Technology State Grants	2008		698
84.186	Drug-Free Schools Grants	2009	1,751	
84.186	Drug-Free Schools Grants	2008		1,751

Mary Taylor, CPA
Auditor of State

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

Riverside Community School, Inc.
Hamilton County
3280 River Road
Cincinnati, Ohio 45204

To the Board of Directors:

We have audited the financial statements of Riverside Community School, Inc., Hamilton County, Ohio, (the School) as of and for the year ended June 30, 2008, and have issued our report thereon dated March 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the School's management in a separate letter dated March 31, 2009.

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Compliance and Other Matters

As part of reasonably assuring whether the School'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 noncompliance or other matters that we reported to the School's management in a separate letter dated March 31, 2009.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, the Community School's Sponsor and federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 31, 2009

Mary Taylor, CPA
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 Community School, Inc.
Hamilton County
3280 River Road
Cincinnati, Ohio 45204

To the Board of Directors:

Compliance

We have audited the compliance of Riverside Community School, Inc., Hamilton County, Ohio, (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the School's major federal program. The School'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 express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 School's compliance with those 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 School's compliance with those requirements.

In our opinion, the Riverside Community School, Inc. complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

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Internal Control Over Compliance

The School'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 School's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated March 31, 2009.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, and the Community School's Sponsor, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 31, 2009

RIVERSIDE COMMUNITY SCHOOL, INC.
HAMILTON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2008

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 other 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 other 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 Programs (list):**	CFDA #84.010 – Grants to Local Educational Agencies (ESEA Title 1)
(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

Mary Taylor, CPA
Auditor of State

RIVERSIDE COMMUNITY SCHOOL, INC.

HAMILTON 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
MAY 7, 2009

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