



Dave Yost • Auditor of State



**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Logan 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, each major fund, and the aggregate remaining fund information of the Riverside Local School District, Logan County, Ohio as of June 30, 2012, and the respective changes in financial position 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 December 14, 2012 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 Schedule of Federal Awards Receipts and Expenditures 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 Schedule of Federal Awards Receipts and Expenditures 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.



**Dave Yost**  
Auditor of State

December 14, 2012

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The management's discussion and analysis of the Riverside Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 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 and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$487,138 which represents a 4.64% decrease from fiscal year 2011.
- General revenues accounted for \$6,298,435 in revenue or 80.22% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,553,058 or 19.78% of total revenues of \$7,851,493.
- The District had \$8,338,631 in expenses related to governmental activities; \$1,553,058 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,298,435 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$6,781,445 in revenues and \$6,837,878 in expenditures. During fiscal year 2012, the general fund's fund balance decreased \$56,433 from \$430,592 to \$374,159.
- The debt service fund had \$217,486 in revenues and \$245,162 in expenditures. During fiscal year 2012, the debt service fund's fund balance decreased \$27,676 from \$267,943 to \$240,267.

**Using these Basic Financial Statements**

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the 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 fiscal year 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. 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 debt service fund.

***Governmental Funds***

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

***Fiduciary Funds***

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-48 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	<b>Net Assets</b>	
	<b>Governmental Activities June 30, 2012</b>	<b>Governmental Activities June 30, 2011</b>
<b>Assets:</b>		
Current assets	\$ 3,494,906	\$ 3,432,663
Capital assets, net	10,959,421	11,434,980
<b>Total assets</b>	<b>14,454,327</b>	<b>14,867,643</b>
<b>Liabilities:</b>		
Current liabilities	2,091,668	1,879,562
Long-term liabilities	2,355,259	2,493,543
<b>Total liabilities</b>	<b>4,446,927</b>	<b>4,373,105</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	9,468,043	9,829,846
Restricted	703,154	935,734
Unrestricted (deficit)	(163,797)	(271,042)
<b>Total net assets</b>	<b>\$10,007,400</b>	<b>\$10,494,538</b>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$10,007,400.

At year-end, capital assets represented 75.82% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$9,468,043. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

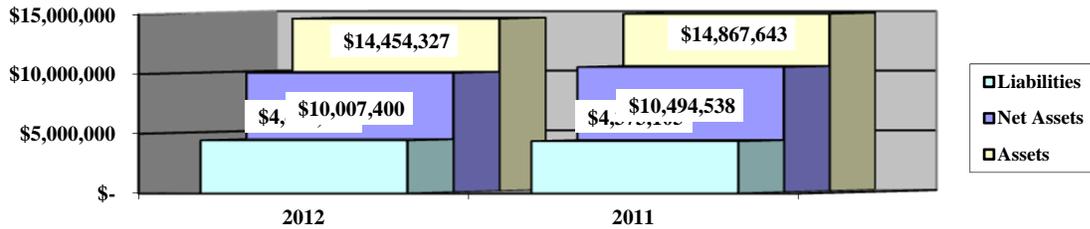
**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

A portion of the District's net assets, \$703,154, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net assets balance is a deficit of \$163,797.

The graph below illustrates the District's assets, liabilities and net assets at June 30, 2012 and June 30, 2011:

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2012 and 2011.

	<b>Change in Net Assets</b>	
	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services and sales	\$ 709,243	\$ 655,448
Operating grants and contributions	843,815	1,528,357
<b>General revenues:</b>		
Property taxes	1,110,014	1,900,639
School district income tax	1,303,473	1,229,999
Grants and entitlements	3,837,916	3,859,673
Investment earnings	8,103	8,032
Miscellaneous	38,929	43,812
<b>Total revenues</b>	<b>\$7,851,493</b>	<b>\$9,225,960</b>

Operating grants and contributions decreased \$684,542 or 44.79% primarily because of the decline in education stabilization and education jobs program federal funding. Property tax revenue decreased \$790,625 or 41.60% primarily due to significant variances in the amount of tax advance that was available to the District from the County Auditor at the end of fiscal years 2012, 2011 and 2010. Tax advances available at June 30, 2012, June 30, 2011 and June 30, 2010 were \$124,617, \$569,459 and \$150,848, respectively. The amount of tax advances available from the County Auditor can vary depending upon when tax bills are mailed.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

	<b>Change in Net Assets</b>	
	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>
<b>Expenses:</b>		
<b>Program expenses:</b>		
<b>Instruction:</b>		
Regular	\$ 3,857,741	\$ 3,858,071
Special	987,146	1,169,058
<b>Vocational</b>	154,310	157,038
<b>Support services:</b>		
Pupil	143,985	169,137
Instructional staff	291,694	271,942
Board of education	15,298	14,649
Administration	387,608	425,852
Fiscal	260,325	257,081
Business	21,017	21,655
Operations and maintenance	860,371	905,432
Pupil transportation	435,963	446,916
Central	144,754	147,768
<b>Operation of non-instructional services:</b>		
Food service operations	412,285	386,923
Other non-instructional services	500	500
Extracurricular activities	225,836	241,491
Interest and fiscal charges	139,798	133,642
Total expenses	<u>8,338,631</u>	<u>8,607,155</u>
Change in net assets	(487,138)	618,805
Net assets at beginning of year	<u>10,494,538</u>	<u>9,875,733</u>
Net assets at end of year	<u><u>\$10,007,400</u></u>	<u><u>\$10,494,538</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$487,138. Total governmental expenses of \$8,338,631 were offset by program revenues of \$1,553,058 and general revenues of \$6,298,435. Program revenues supported 18.62% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 79.62% of total governmental revenue.

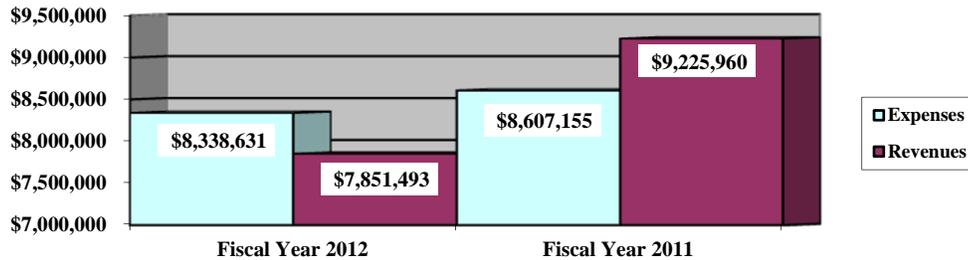
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,999,197 or 59.95% of total governmental expenses for fiscal year 2012.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2012 and 2011.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	<b>Total Cost of Services 2012</b>	<b>Net Cost of Services 2012</b>	<b>Total Cost of Services 2011</b>	<b>Net Cost of Services 2011</b>
<b>Program expenses:</b>				
<b>Instruction:</b>				
Regular	\$3,857,741	\$3,377,816	\$3,858,071	\$3,082,801
Special	987,146	445,697	1,169,058	454,043
Vocational	154,310	131,036	157,038	133,620
<b>Support services:</b>				
Pupil	143,985	142,629	169,137	167,696
Instructional staff	291,694	288,926	271,942	183,587
Board of education	15,298	15,298	14,649	14,649
Administration	387,608	387,608	425,852	425,708
Fiscal	260,325	260,321	257,081	257,081
Business	21,017	433	21,655	1,795
Operations and maintenance	860,371	856,347	905,432	810,287
Pupil transportation	435,963	384,940	446,916	408,971
Central	144,754	144,754	147,768	142,768
<b>Operation of non-instructional services:</b>				
Food service operations	412,285	56,139	386,923	33,224
Other non-instructional services	500	364	500	500
Extracurricular activities	225,836	153,467	241,491	172,978
Interest and fiscal charges	139,798	139,798	133,642	133,642
<b>Total expenses</b>	<b>\$8,338,631</b>	<b>\$6,785,573</b>	<b>\$8,607,155</b>	<b>\$6,423,350</b>

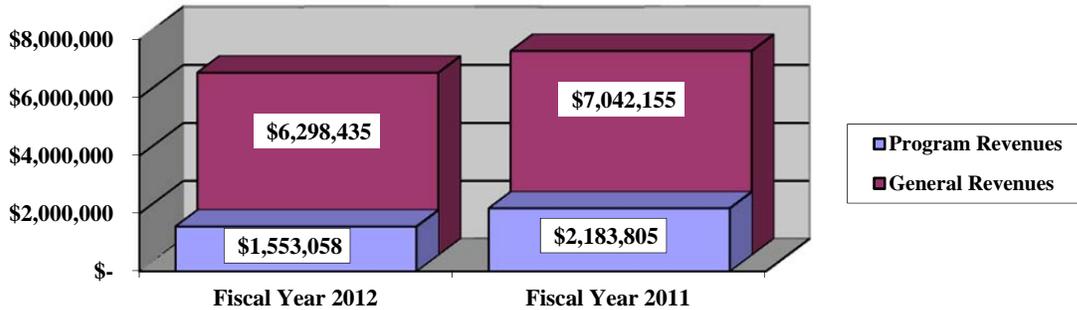
The dependence upon tax and other general revenues for governmental activities is apparent, 79.10% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.38%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,033,005, which is less than last year's total balance of \$1,101,472. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011.

	<b>Fund Balance June 30, 2012</b>	<b>Fund Balance June 30, 2011</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Change</b>	
General	\$ 374,159	\$ 430,592	(\$56,433)	(13.11)	%
Debt Service	240,267	267,943	(27,676)	(10.33)	%
Other Governmental	418,579	402,937	15,642	3.88	%
<b>Total</b>	<b>\$1,033,005</b>	<b>\$1,101,472</b>	<b>(\$68,467)</b>	<b>(6.22)</b>	<b>%</b>

**General Fund**

The general fund's fund balance decreased \$56,433 from a balance of \$430,592 to \$374,159. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<b>2012 Amount</b>	<b>2011 Amount</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Change</b>	
<b>Revenues:</b>					
Taxes	\$2,160,781	\$2,698,035	(\$537,254)	(19.91)	%
Tuition	410,505	365,370	45,135	12.35	%
Earnings on investments	8,103	8,032	71	0.88	%
Intergovernmental	4,112,142	4,132,692	(20,550)	(0.50)	%
Other revenues	89,914	87,405	2,509	2.87	%
<b>Total</b>	<b>6,781,445</b>	<b>7,291,534</b>	<b>(510,089)</b>	<b>(7.00)</b>	<b>%</b>
<b>Expenditures:</b>					
Instruction	4,365,771	4,332,370	33,401	0.77	%
Support Services	2,341,878	2,154,844	187,034	8.68	%
Non-instructional services	500	500			%
Extracurricular activities	125,944	110,614	15,330	13.86	%
Debt Service	3,785	6,453	(2,668)	(41.35)	%
<b>Total</b>	<b>\$6,837,878</b>	<b>\$6,604,781</b>	<b>\$233,097</b>	<b>3.53</b>	<b>%</b>

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

Overall revenues of the general fund decreased \$510,089 or 7.00%. Tax revenue decreased \$537,254 or 19.91% mainly due to significant variances in the amount of tax advance that was available to the District from the County Auditor at the end of fiscal years 2012, 2011 and 2010. Tax advances available to the general fund at June 30, 2012, June 30, 2011 and June 30, 2010 were \$96,376, \$444,399 and \$115,945, respectively. The amount of tax advances available from the County Auditor can vary depending upon when tax bills are mailed. Tuition revenue increased \$45,135 or 12.35% primarily because of an increase in open enrollment receipts during fiscal year 2012.

Overall expenditures of the general fund increased \$233,097 or 3.53%. This increase is mainly attributable to minor increases in instruction, support services and extracurricular activities expenditures during fiscal year 2012.

***Debt Service Fund***

The debt service fund had \$217,486 in revenues and \$245,162 in expenditures. During fiscal year 2012, the debt service fund's fund balance decreased \$27,676 from \$267,943 to \$240,267.

***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.

For the general fund, original budgeted revenues and other financing sources were \$7,001,613 and final budgeted revenues and other financing sources were \$7,054,163. Actual revenues and other financing sources for fiscal year 2012 were \$7,067,571.

General fund original appropriations and other financing uses totaled \$6,903,005 and final appropriations and other financing uses totaled \$7,286,802. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$6,848,724, which is lower than the final budgeted amounts by \$438,078.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the District had \$10,959,421 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, and textbooks. This entire amount is reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
	<b>Governmental Activities</b>	
	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Land	\$ 11,423	\$ 11,423
Land improvements	589,173	663,628
Buildings and improvements	10,058,793	10,399,695
Furniture, fixtures and equipment	224,993	265,973
Vehicles	75,039	94,261
Total	\$10,959,421	\$11,434,980

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

The overall decrease in capital assets of \$475,559 is a result of depreciation expense of \$496,748 exceeding capital asset additions of \$21,189 during fiscal year 2012.

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

***Debt Administration***

At June 30, 2012, the District had \$1,745,955 in general obligation bonds outstanding for building improvements. Of this total, \$171,457 is due within one year and \$1,574,498 is due in more than one year. The following table summarizes the bonds outstanding.

<b>Outstanding Debt, at Fiscal Year End</b>		
	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>
General Obligation Bonds	\$1,745,955	\$1,847,742
Total	\$1,745,955	\$1,847,742

At June 30, 2012, the District's overall legal debt margin was \$4,596,874, and an unvoted debt margin of \$64,978.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

There continues to be several unknowns in the state of the economy and uncertainty in State funding that will greatly impact the District. DeGraff and Quincy are small rural communities in West Central Ohio. They have a number of small and medium-sized businesses, with agriculture having a contributing influence on the economy.

Approximately 31.86% of the District's general fund revenue comes from local property and income taxes, 60.64% is from intergovernmental State funding, and the remaining 7.50% is from tuition and other revenue sources.

Future finances are not without challenges, as the District's community changes, State funding is revised, and changes occur in current proposed legislation. Some of these challenges are in the future of State funding for schools in light of the DeRolph court cases, the long term effects of public utility deregulation, the reduction of personal property tax for business inventory and tangible personal property taxes, and the proposed changes in the State biennial budget and stimulus funding. Future revenues created from property and income values are also in question based on the state of the economy.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and 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 questions about this report or need additional financial information contact: Mr. Paul Carpenter, Treasurer, Riverside Local School District, 2096 CR 24 S, DeGraff, Ohio 43318.

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**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$1,273,560
<b>Receivables:</b>	
Property taxes	1,731,531
Income taxes	400,901
Accounts	5,076
Intergovernmental	25,497
Accrued interest	708
External party receivable	10,000
Materials and supplies inventory	8,111
Unamortized bond issuance costs	39,522
<b>Capital assets:</b>	
Land	11,423
Depreciable capital assets, net	10,947,998
Capital assets, net	10,959,421
Total assets	14,454,327
 <b>Liabilities:</b>	
Accounts payable	4,385
Accrued wages and benefits	457,616
Pension obligation payable	127,811
Intergovernmental payable	22,216
Unearned revenue	1,408,194
Accrued interest payable	4,779
Notes payable	66,667
<b>Long-term liabilities:</b>	
Due within one year	313,094
Due in more than one year	2,042,165
Total liabilities	4,446,927
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt	9,468,043
<b>Restricted for:</b>	
Capital projects	255,462
Debt service	267,878
Classroom facilities maintenance	63,736
Locally funded programs	9
State funded programs	189
Federally funded programs	1
District managed student activities	22,292
Other purposes	93,587
Unrestricted (deficit)	(163,797)
Total net assets	\$10,007,400

*See accompanying notes to the basic financial statements.*

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
			<u>Governmental Activities</u>	
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	\$3,857,741	\$413,888	\$66,037	(\$3,377,816)
Special	987,146	11,386	530,063	(445,697)
Vocational	154,310		23,274	(131,036)
<b>Support services:</b>				
Pupil	143,985	1,356		(142,629)
Instructional staff	291,694	1,702	1,066	(288,926)
Board of education	15,298			(15,298)
Administration	387,608			(387,608)
Fiscal	260,325		4	(260,321)
Business	21,017	20,584		(433)
Operations and maintenance	860,371	100	3,924	(856,347)
Pupil transportation	435,963	18,671	32,352	(384,940)
Central	144,754			(144,754)
<b>Operation of non-instructional services:</b>				
Food service operations	412,285	169,051	187,095	(56,139)
Other non-instructional services	500	136		(364)
Extracurricular activities	225,836	72,369		(153,467)
Interest and fiscal charges	139,798			(139,798)
<b>Total governmental activities</b>	<b><u>\$8,338,631</u></b>	<b><u>\$709,243</u></b>	<b><u>\$843,815</u></b>	<b><u>(6,785,573)</u></b>
<b>General Revenues:</b>				
<b>Property taxes levied for:</b>				
General purposes				864,584
Debt service				180,513
Capital projects				51,960
Special revenue				12,957
School district income tax				1,303,473
Grants and entitlements not restricted to specific programs				3,837,916
Investment earnings				8,103
Miscellaneous				38,929
<b>Total general revenues</b>				<b><u>6,298,435</u></b>
Change in net assets				(487,138)
Net assets at beginning of year				<u>10,494,538</u>
Net assets at end of year				<b><u>\$10,007,400</u></b>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$622,763	\$217,956	\$415,730	\$1,256,449
<b>Receivables:</b>				
Property taxes	1,346,295	280,355	104,881	1,731,531
Income taxes	400,901			400,901
Accounts	4,946		130	5,076
Intergovernmental	8,335		17,162	25,497
Interfund loans	1,100			1,100
Accrued interest	665		43	708
External party receivable	10,000			10,000
Materials and supplies inventory			8,111	8,111
<b>Restricted assets:</b>				
Equity in pooled cash and cash equivalents	17,111			17,111
<b>Total assets</b>	<u>2,412,116</u>	<u>498,311</u>	<u>546,057</u>	<u>3,456,484</u>
<b>Liabilities:</b>				
Accounts payable	3,141		1,244	4,385
Accrued wages and benefits	443,476		14,140	457,616
Compensated absences payable	128,220			128,220
Pension obligation payable	116,426		11,385	127,811
Intergovernmental payable	21,558		658	22,216
Interfund loans payable			1,100	1,100
Deferred revenue	162,843	32,175	12,037	207,055
Unearned revenue	1,095,411	225,869	86,914	1,408,194
Accrued interest payable	215			215
Notes payable	66,667			66,667
<b>Total liabilities</b>	<u>2,037,957</u>	<u>258,044</u>	<u>127,478</u>	<u>2,423,479</u>
<b>Fund Balances:</b>				
<b>Non-spendable:</b>				
Materials and supplies inventory			8,111	8,111
<b>Restricted:</b>				
Debt service		240,267		240,267
Capital improvements			246,063	246,063
Classroom facilities maintenance			61,098	61,098
Food service operations			80,982	80,982
Special education			1	1
Extracurricular			22,292	22,292
School bus purchases	17,111			17,111
Other purposes			198	198
<b>Assigned:</b>				
Student instruction	6,282			6,282
Student and staff support	22,346			22,346
School supplies	1,693			1,693
Subsequent year appropriations	205,886			205,886
Other purposes	4,711			4,711
Unassigned (deficit)	116,130		(166)	115,964
<b>Total fund balances</b>	<u>374,159</u>	<u>240,267</u>	<u>418,579</u>	<u>1,033,005</u>
<b>Total liabilities and fund balances</b>	<u>\$2,412,116</u>	<u>\$498,311</u>	<u>\$546,057</u>	<u>\$3,456,484</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012**

<b>Total governmental fund balances</b>		<b>\$1,033,005</b>
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,959,421
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$198,720	
Intergovernmental receivable	8,335	
Total	207,055	207,055
Unamortized deferred charges are not recognized in the funds.		116,214
Unamortized premiums on bond issuance are not recognized in the funds.		(155,736)
Unamortized bond issuance costs are not recognized in the funds.		39,522
Accrued interest payable on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds.		(4,564)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(441,562)	
General obligation bonds payable	(1,745,955)	
Total	(2,187,517)	(2,187,517)
Net assets of governmental activities		<b>\$10,007,400</b>

*See accompanying notes to the basic financial statements.*

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
<b>From local sources:</b>				
Property taxes	\$857,308	\$179,567	\$64,638	\$1,101,513
Income taxes	1,303,473			1,303,473
Tuition	410,505			410,505
Transportation fees	2,505			2,505
Charges for services			169,051	169,051
Earnings on investments	8,103		923	9,026
Extracurricular	23,926		64,037	87,963
Classroom materials and fees	24,454			24,454
Rental income	100			100
Contributions and donations	4,474			4,474
Other local revenues	34,455		14,665	49,120
Intergovernmental - intermediate			2,360	2,360
Intergovernmental - state	4,112,142	37,919	53,740	4,203,801
Intergovernmental - federal			689,541	689,541
Total revenues	<u>6,781,445</u>	<u>217,486</u>	<u>1,058,955</u>	<u>8,057,886</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,430,171		276,895	3,707,066
Special	798,793		221,191	1,019,984
Vocational	136,807			136,807
<b>Support services:</b>				
Pupil	153,482			153,482
Instructional staff	252,052		987	253,039
Board of education	15,298			15,298
Administration	382,477			382,477
Fiscal	248,173	7,264	2,703	258,140
Business	21,017			21,017
Operations and maintenance	721,111		107,471	828,582
Pupil transportation	400,436		14,768	415,204
Central	147,832			147,832
<b>Operation of non-instructional services:</b>				
Food service operations			362,170	362,170
Other non-instructional services	500			500
Extracurricular activities	125,944		57,128	183,072
<b>Debt service:</b>				
Principal retirement		180,000		180,000
Interest and fiscal charges	3,785	57,898		61,683
Total expenditures	<u>6,837,878</u>	<u>245,162</u>	<u>1,043,313</u>	<u>8,126,353</u>
Net change in fund balances	(56,433)	(27,676)	15,642	(68,467)
Fund balances at beginning of year	430,592	267,943	402,937	1,101,472
Fund balances at end of year	<u>\$374,159</u>	<u>\$240,267</u>	<u>\$418,579</u>	<u>\$1,033,005</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds (\$68,467)

*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 costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$21,189	
Current year depreciation	(496,748)	
Total		(475,559)

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

Taxes	8,501	
Intergovernmental revenue	(206,823)	
Total		(198,322)

Premiums on refunding bonds are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. 14,951

Bond issuance costs on refunding bonds are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (3,795)

Deferred charges on refundings are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (11,156)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 180,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported in the statement of activities.

Decrease in accrued interest payable	98	
Accreted interest on capital appreciation bonds	(78,213)	
Total		(78,115)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 153,325

Change in net assets of governmental activities (\$487,138)

*See accompanying notes to the basic financial statements.*

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Revenues:</b>				
<b>From local sources:</b>				
Property taxes	\$1,195,861	\$1,204,837	\$1,205,331	\$494
Income taxes	1,238,773	1,248,071	1,249,692	1,621
Tuition	402,639	405,661	410,505	4,844
Transportation fees	1,985	2,000	2,505	505
Earnings on investments	7,390	7,445	7,987	542
Classroom materials and fees	502	506	2,318	1,812
Rental income			100	100
Other local revenues	28,784	29,000	30,376	1,376
Intergovernmental - state	4,080,446	4,111,071	4,112,142	1,071
Total revenues	<u>6,956,380</u>	<u>7,008,591</u>	<u>7,020,956</u>	<u>12,365</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,336,631	3,522,144	3,426,673	95,471
Special	805,666	850,460	774,233	76,227
Vocational	144,017	152,024	143,031	8,993
<b>Support services:</b>				
Pupil	176,178	185,973	161,407	24,566
Instructional staff	248,864	262,700	255,153	7,547
Board of education	16,815	17,750	15,166	2,584
Administration	399,832	422,062	391,262	30,800
Fiscal	264,720	279,438	254,058	25,380
Operations and maintenance	766,255	808,858	739,411	69,447
Pupil transportation	448,347	473,274	406,016	67,258
Central	152,306	160,774	152,143	8,631
Extracurricular activities	131,106	138,395	117,751	20,644
Total expenditures	<u>6,890,737</u>	<u>7,273,852</u>	<u>6,836,304</u>	<u>437,548</u>
Excess (deficiency) of revenues over (under) expenditures	<u>65,643</u>	<u>(265,261)</u>	<u>184,652</u>	<u>449,913</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures			1,043	1,043
Refund of prior year receipts	(379)	(400)		400
Transfers (out)	(10,800)	(11,400)	(11,316)	84
Advances in	45,233	45,572	45,572	
Advances (out)	(1,042)	(1,100)	(1,100)	
Miscellaneous use of funds	(47)	(50)	(4)	46
Total other financing sources (uses)	<u>32,965</u>	<u>32,622</u>	<u>34,195</u>	<u>1,573</u>
Net change in fund balance	98,608	(232,639)	218,847	451,486
Fund balance at beginning of year	373,048	373,048	373,048	
Prior year encumbrances appropriated	12,789	12,789	12,789	
Fund balance at end of year	<u>\$484,445</u>	<u>\$153,198</u>	<u>\$604,684</u>	<u>\$451,486</u>

See accompanying notes to the basic financial statements.

LOGAN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2012

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$23,853	\$75,512
<b>Receivables:</b>		
Accrued interest	2	
Total assets	<u>23,855</u>	<u>75,512</u>
<b>Liabilities:</b>		
Accounts payable		280
External party payable		10,000
Due to students		65,232
Total liabilities		<u>\$75,512</u>
<b>Net assets:</b>		
Held in trust for scholarships	<u>23,855</u>	
Total net assets	<u>\$23,855</u>	

*See accompanying notes to the basic financial statements.*

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest	\$203
Total additions	203
 <b>Deductions:</b>	
Scholarships awarded	300
Change in net assets	(97)
Net assets at beginning of year	23,952
Net assets at end of year	\$23,855

*See accompanying notes to the basic financial statements.*

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**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

The Riverside Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and the privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's instructional/support facility staffed by 33 non-certified and 60 certified full-time teaching personnel who provide services to 719 students and other community members.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Group Purchasing Pools**

**Workers' Compensation Group Rating Program**

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by Sheakley Uniservice, Inc. 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 District pays a fee to the GRP to cover the costs of administering the program.

**Logan County Schools Benefit Plan Association**

The District participates in the Logan County Schools Benefit Plan Association (the "School Benefits Plan"); a public entity shared risk pool consisting of one educational service center, one joint vocational school district, Riverside Local School District, Indian Lake Local School District and Benjamin Logan Local School District. The District pays monthly premiums to the School Benefits Plan for employee life insurance and dental and medical benefits. The School Benefits Plan is responsible for the payment of all School Benefits Plan liabilities to its employees, dependents and designated beneficiaries accruing as a result of withdrawal.

**Ohio School Plan**

The Ohio School Plan (the "Plan") is a shared liability, property and fleet insurance risk pool which is governed by a Board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Hylant Administrative Services, LLC., 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43603-2083.

**2. Jointly Governed Organizations**

**Western Ohio Computer Organization**

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public Districts within the boundaries of Hardin, Auglaize, Logan, Shelby, Miami and Champaign Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. This organization is governed by a Board of Directors consisting of 14 members: the superintendent of the fiscal agent Shelby County Educational Service Center, two superintendents from each county that is represented, one Treasurer representative from the school districts, a student services representative from the school districts and a non-voting independent district representative. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained from Donn Walls, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Ohio Hi-Point Joint Vocational School District**

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

**Logan County Education Foundation**

The Logan County Education Foundation (the "Foundation") was established to secure and distribute contributions from individuals, corporations and foundations for the benefit of students within the county. The Foundation promotes, sponsors and encourages the pursuit of excellence in education for students. The Foundation is managed by a six member Board of Trustees. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the city school district. Financial information can be obtained by contacting Eric Tom, Executive Director, 121 South Opera Street, Bellefontaine, Ohio 43311.

**B. Fund Accounting**

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

**1. Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes 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 major governmental funds:

**General fund** -The general fund is used to account for and report all financial resources not accounted for and reported 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.

**Debt service fund** - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and note principal, interest and related costs.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

**2. Fiduciary Funds**

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

**C. Basis of Presentation and Measurement Focus**

**1. Government-wide Financial Statements**

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

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

**2. Fund Financial Statements**

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**D. Basis of Accounting**

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

**1. Revenues - Exchange and Non-exchange Transactions**

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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, income taxes, interest, tuition, grants, student fees and rentals.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Unearned Revenue and Deferred Revenue**

Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue on the governmental fund financial statements.

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

**3. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**F. Cash and Investments**

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

During fiscal year 2012, investments were limited to nonnegotiable certificates of deposit.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$8,103, which includes \$4,283 assigned from other funds.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net assets. Loans to student activities (agency funds) are classified as “external party loans receivable/payable”.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**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.

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

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

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

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

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

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

**M. Fund Balance**

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:

**Non-spendable** - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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.

**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 nor 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 represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**Unassigned** - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund 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 restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations and an amount restricted by State statute for school bus purchases.

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

**O. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set-aside for school bus purchases. See Note 18 for details.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Estimates**

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

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. The District did not report any transfer activity at June 30, 2012.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficit:

<u>Non-major governmental fund</u>	<u>Deficit</u>
Title I	<u>\$166</u>

The general fund is liable for any deficits in the funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities and the reporting of short-term interfund loans as a fund liability rather than as another financing source.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the District or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$150 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$1,372,775. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$1,147,056 of the District's bank balance of \$1,427,196 was exposed to custodial risk as discussed below, while \$280,140 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District'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 District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$1,372,775
Cash on hand	150
Total	<u>\$1,372,925</u>

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$1,273,560
Private-purpose trust fund	23,853
Agency fund	75,512
Total	<u>\$1,372,925</u>

**5. INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2012 as reported on the fund statements consist of the following individual interfund loan receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Non-major governmental fund	<u>\$1,100</u>

The primary purpose of the interfund balance is to cover costs in a specific fund where revenues were not received by June 30. This interfund balance will be repaid once the anticipated revenues are received. The interfund balance is expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

B. Loans between governmental funds and agency funds are reported as "external party loans receivable/payable" on the financial statements. The District had the following loan outstanding at June 30, 2012:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Agency fund	<u>\$10,000</u>

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

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District 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 property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The District receives property taxes from Logan and Shelby Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$96,376 in the general fund, \$22,311 in the debt service fund and \$5,930 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$444,399 in the general fund, \$90,924 in the debt service fund, \$26,665 in the permanent improvement fund (a non-major governmental fund) and \$7,471 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

	<b>2011 Second Half Collections</b>		<b>2012 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and other real estate	\$63,292,310	97.18	\$63,128,980	97.15
Public utility personal	1,778,030	2.73	1,848,630	2.85
Tangible personal property	61,250	0.09		
Total	<u>\$65,131,590</u>	<u>100.00</u>	<u>\$64,977,610</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$52.30		\$52.30	

**7. SCHOOL DISTRICT INCOME TAX**

The District levies a voted tax of 2.00 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2010 and is due to expire on December 31, 2014. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the general fund during fiscal year 2012 amounted to \$1,303,473.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. RECEIVABLES**

Receivables at June 30, 2012 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

<b>Governmental activities:</b>	
Property taxes	\$1,731,531
Income taxes	400,901
Accounts	5,076
Intergovernmental	25,497
Accrued interest	708
Total	<u>\$2,163,713</u>

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

**9. CAPITAL ASSETS**

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

	<b>Balance June 30, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2012</b>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 11,423			\$ 11,423
Total capital assets, not being depreciated	11,423			11,423
<b>Capital assets, being depreciated:</b>				
Land improvements	1,341,193			1,341,193
Buildings and improvements	14,118,962			14,118,962
Furniture, fixtures and equipment	1,741,280	\$ 21,189		1,762,469
Vehicles	609,552			609,552
Textbooks	632,952			632,952
Total capital assets, being depreciated	18,443,939	21,189		18,465,128
<b>Less: accumulated depreciation:</b>				
Land improvements	(677,565)	(74,455)		(752,020)
Buildings and improvements	(3,719,267)	(340,902)		(4,060,169)
Furniture, fixtures and equipment	(1,475,307)	(62,169)		(1,537,476)
Vehicles	(515,291)	(19,222)		(534,513)
Textbooks	(632,952)			(632,952)
Total accumulated depreciation	(7,020,382)	(496,748)		(7,517,130)
Governmental activities capital assets, net	\$11,434,980	(\$475,559)	\$0	\$10,959,421

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**9. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$247,536
Special	6,765
Vocational	16,768
<b>Support services:</b>	
Instructional staff	39,031
Administration	10,959
Fiscal	3,392
Operations and maintenance	47,233
Pupil transportation	21,800
Extracurricular	53,250
Food service operations	50,014
Total depreciation expense	\$496,748

**10. LONG-TERM OBLIGATIONS**

A. During fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>Amounts</b>
	<b>June 30, 2011</b>			<b>June 30, 2012</b>	<b>Due in</b>
					<b>One Year</b>
<b>Governmental activities:</b>					
G.O. Bonds- Series 2001	\$ 257,300	\$ 24,157	(\$145,000)	\$ 136,457	\$136,457
G.O. Refunding Bonds - Series 2006	1,590,442	54,056	(35,000)	1,609,498	35,000
Compensated absences	602,484	42,492	(75,194)	569,782	141,637
Tota	\$2,450,226	\$120,705	(\$255,194)	2,315,737	\$313,094
Less: deferred charge on refunding				(116,214)	
Add: unamortized premium				155,736	
Total on statement of net assets				\$2,355,259	

**Compensated Absences**

Compensated absences have been accrued for vacation and sick leave liabilities. The amounts will be paid from the funds from which employees' salaries are paid, which primarily are the general fund and food service fund (a nonmajor governmental fund).

**School Facilities Construction and Improvement General Obligation Bonds**

On May 4, 2001, the District issued \$2,881,817 in voted general obligation bonds for the purpose of constructing, renovating and improving existing school facilities and related site development. The bond issue included serial, term and capital appreciation bonds with par values of \$1,130,000, \$1,685,000, and \$66,817, respectively. The bonds will be retired with a voted property tax levy from the debt service fund. The stated interest rates on the serial and term bonds are 4.6% to 5.75% and 12.55% for the capital appreciation bonds. During fiscal year 2006, \$1,685,000 of the serial bonds were refunded.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. LONG-TERM OBLIGATIONS (Continued)**

Capital appreciation bonds in the amount of \$145,000 were retired in fiscal year 2012. The accreted value at maturity for the remaining capital appreciation bonds maturing in fiscal year 2013 is \$145,000. Total accreted interest of \$105,079 has been included on the statement of net assets at June 30, 2012. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

Interest on the remaining serial bonds was payable on June 1 and December 1 of each year, beginning December 1, 2001 until maturity. The capital appreciation bonds accrue interest, compounded semiannually on June 1 and December 1, from the date of their issuance, but the interest will be payable only at maturity.

The following is a schedule of activity for fiscal year 2012 on the 2001 series general obligation bonds:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>
Capital appreciation bonds - 2001 series	\$ 66,817		(\$ 35,439)	\$ 31,378
Capital appreciation bonds - Accreted interest	190,483	\$24,157	(109,561)	105,079
Total	<u>\$257,300</u>	<u>\$24,157</u>	<u>(\$145,000)</u>	<u>\$136,457</u>

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

<u>Fiscal Year</u>	<u>Capital Appreciation Bonds</u>		
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$31,378</u>	<u>\$113,622</u>	<u>\$145,000</u>

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

The refunding issue is comprised of both current interest bonds, par value \$1,675,000, and capital appreciation bonds, par value \$10,000. The capital appreciation bonds mature on December 1, 2013 and December 1, 2014 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$355,000. Total accreted interest of \$149,498 has been included on the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$191,520. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a schedule of activity for fiscal year 2012 on the 2006 series refunding bonds:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. LONG-TERM OBLIGATIONS (Continued)**

	<b>Balance June 30, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2012</b>
Current interest bonds - 2006 series	\$1,485,000		(\$35,000)	\$1,450,000
Capital appreciation bonds - 2006 series	10,000			10,000
Capital appreciation bonds - Accreted interest	95,442	\$54,056		149,498
Total	<u>\$1,590,442</u>	<u>\$54,056</u>	<u>(\$35,000)</u>	<u>\$1,609,498</u>

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

<b>Fiscal Year Ending June 30,</b>	<b>Current Interest Bonds</b>			<b>Capital Appreciation Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$35,000	\$57,285	\$92,285			
2014		56,025	56,025	\$5,000	\$170,000	\$175,000
2015		56,025	56,025	5,000	175,000	180,000
2016	180,000	56,025	236,025			
2017	180,000	49,725	229,725			
2018 - 2022	905,000	145,890	1,050,890			
2023	150,000	7,500	157,500			
Total	<u>\$1,450,000</u>	<u>\$428,475</u>	<u>\$1,878,475</u>	<u>\$10,000</u>	<u>\$345,000</u>	<u>\$355,000</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$4,596,874 (including available funds of \$240,267) and an unvoted debt margin of \$64,978.

**11. NOTES PAYABLE**

The District issued income tax anticipation notes on April 12, 2010 in the amount of \$200,000. These notes were issued in anticipation of future income tax revenue and the proceeds are used for general operations of the District. As such, the income tax anticipation notes are reported as a liability of the general fund, the fund which received the proceeds.

The income tax anticipation notes mature on December 1, 2012 and bear an interest rate of 4.00%. These notes are backed by the full faith and credit of the District.

The following is a schedule of activity for fiscal year 2012 on the income tax anticipation notes:

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(Continued)**

**11. NOTES PAYABLE**

	<b>Balance Outstanding 06/30/11</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Outstanding 06/30/12</b>	<b>Amounts Due in One Year</b>
Income tax anticipation notes - 4.00%	\$133,334	\$0	\$(66,667)	\$66,667	\$66,667

The following is a summary of the future debt service requirements to maturity for the income tax anticipation notes:

<b>Fiscal Year Ending June 30,</b>	<b>Income Tax Anticipation Notes</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$66,667	\$1,333	\$68,000

**12. COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 274 days for all personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit to a maximum of 68.5 days for all employees.

**13. RISK MANAGEMENT**

**A. Property and Liability**

During fiscal year 2012, the District participated in the Ohio School Plan (OSP), a public entity insurance purchasing pool (See Note 2.A.). The District entered into an agreement with the OSP and its premium is based on types of coverage, limits of coverage and deductibles that it selects. The OSP is administered by Stolly Insurance Group.

The District is subject to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured.

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$26,025,546. The policy includes a \$1,000 deductible for commercial property coverage.

The District's fleet insurance has a liability limit of \$3,000,000, \$5,000 for medical payments and \$1,000,000 for uninsured motorists. The policy includes a \$1,000 deductible for school buses and \$500 deductible for all other vehicles.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior year.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. RISK MANAGEMENT (Continued)**

**B. Employee Benefits**

The District participates in the Logan County Schools Benefit Plan Association (the "School Benefits Plan"); a public entity shared risk pool consisting of one joint vocational school, one educational service center, Riverside Local School District, Indian Lake Local School District and Benjamin Logan Local School District. The District pays monthly premiums for employee life insurance and dental and medical benefits. The School Benefits Plan is responsible for all School Benefits Plan liabilities to its employees, dependents and designated beneficiaries accruing as a result of withdrawal. The District also participates with the Metropolitan Education Council for life insurance coverage for employees.

**C. Workers' Compensation**

For fiscal year 2012, the District participated in a Workers' Compensation Group Rating Program (GRP). 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 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 ensures 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 Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

**14. PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$109,327, \$92,422 and \$105,181, respectively; 75.05 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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(Continued)**

**14. PENSION PLANS (Continued)**

**B. State Teachers Retirement System of Ohio**

**Plan Description** - The District 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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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 fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon 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.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$406,780, \$402,007 and \$396,624, respectively; 84.39 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$434 made by the District and \$310 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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**15. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**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 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$20,977, \$28,285 and \$21,398, respectively; 75.05 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$6,456, \$5,948 and \$6,255, respectively; 75.05 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**15. POSTEMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System of Ohio**

**Plan Description** - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

**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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$31,291, \$30,924 and \$30,510, respectively; 84.39 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**16. BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**16. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

<b>Net Change in Fund Balance</b>	<b>General fund</b>
Budget basis	\$218,847
Net adjustment for revenue accruals	(290,047)
Net adjustment for expenditure accruals	26,568
Net adjustment for other sources/uses	(34,195)
Funds budgeted elsewhere	(323)
Adjustment for encumbrances	22,717
GAAP basis	(\$ 56,433)

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the special trust fund, uniform school supplies fund and public school support fund.

**17. CONTINGENCIES**

**A. Grants and ADM**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. 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 involved in no material litigation as either plaintiff or defendant.

**18. SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**18. SET-ASIDES (Continued)**

	<b>Capital Improvements</b>
Set-aside balance June 30, 2011	
Current year set-aside requirement	\$127,393
Contributions in excess of the current fiscal year set-aside requirement	
Current year qualifying expenditures	
Excess qualified expenditures from prior years	
Current year offsets	(139,516)
Waiver granted by ODE	
Prior year offset from bond proceeds	
Total	(\$ 12,123)
Balance carried forward to fiscal year 2013	\$ 0
 Set-aside balance June 30, 2012	 \$ 0

During fiscal year 2001, the District issued \$2,881,817 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$2,542,865 at June 30, 2012.

A schedule of the restricted assets at June 30, 2012 follows:

Amount restricted for school bus purchases	\$17,111
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**19. OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<b>Fund</b>	<b>Year-End Encumbrances</b>
General fund	\$ 23,620
Non-major governmental funds	128,035
Total	\$151,655

RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education:</i>					
<b>Child Nutrition Cluster:</b>					
School Breakfast Program	10.553	\$31,345		\$31,345	
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553	<u>31,345</u>	\$5,162	<u>31,345</u>	\$5,162
Total School Breakfast Program		31,345	5,162	31,345	5,162
National School Lunch Program	10.555	134,962		134,962	
Non-Cash Assistance (Food Distribution)					
National School Lunch Program	10.555	<u>134,962</u>	22,007	<u>134,962</u>	22,007
Total National School Lunch Program		134,962	22,007	134,962	22,007
Total Child Nutrition Cluster - United States Department of Agriculture		<u>166,307</u>	<u>27,169</u>	<u>166,307</u>	<u>27,169</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education:</i>					
Title 1 Grants to Local Educational Agencies	84.010	76,337		85,632	
<b>Special Education Cluster</b>					
Special Education Grants to States	84.027	150,501		150,501	
ARRA Special Education Grants to States, Recovery Act	84.391	<u>45,572</u>			
Total Special Education Cluster		196,073		150,501	
Education Technology State Grants	84.318	603		603	
Improving Teacher Quality State Grants	84.367	25,649		25,649	
Race to The Top Grant	84.395	34,857		34,857	
Education Jobs Grant	84.410	220,662		220,662	
Total U. S. Department of Education		<u>554,181</u>		<u>517,904</u>	
Total Federal Financial Assistance		<u>\$720,488</u>	<u>\$27,169</u>	<u>\$684,211</u>	<u>\$27,169</u>

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – 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 - FOOD DONATION**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance is reported in the Schedule at the entitlement value of the commodities received and consumed, and is allocated to the respective program that benefitted from the use of the donated foods.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.



# 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  
Logan County  
2096 County Road 24 South  
Degraff, Ohio 43318

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Local School District, Logan County (the District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2012. 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 opinion 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 that we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 14, 2012.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and 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

December 14, 2012



# 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  
Logan County  
2096 County Road 24 South  
Degraff, Ohio 43318

To the Board of Education:

### Compliance

We have audited the compliance of Riverside Local School District, Logan County (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 its 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 A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

**Internal Control Over Compliance  
(Continued)**

*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, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

December 14, 2012

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 10.553 & 10.555 Child Nutrition Cluster CFDA # 84.410 Education Jobs
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**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.

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# Dave Yost • Auditor of State

RIVERSIDE LOCAL SCHOOL DISTRICT

LOGAN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JANUARY 24, 2013