



Dave Yost • Auditor of State



**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Local School District, Logan County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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 Riverside Local School District, Logan County, Ohio, as of June 30, 2013 and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3.A to the financial statements, during the year ended June 30, 2013, the Center adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities* which resulted in restated net position. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 13, 2014

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**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities increased \$548,164 which represents a 5.50% increase from fiscal year 2012 as restated in Note 3.A.
- General revenues accounted for \$7,006,802 in revenue or 81.16% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,626,885 or 18.84% of total revenues of \$8,633,687.
- The District had \$8,085,523 in expenses related to governmental activities; \$1,626,885 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 \$7,006,802 were 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 \$7,413,914 in revenues and other financing sources and \$6,618,962 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance increased \$794,952 from \$374,159 to \$1,169,111.
- The debt service fund had \$322,228 in revenues and \$243,610 in expenditures. During fiscal year 2013, the debt service fund's fund balance increased \$78,618 from \$240,267 to \$318,885.

**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 position* 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, 2013  
(UNAUDITED)  
(Continued)**

**Reporting the District as a Whole**

***Statement of Net Position 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 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in net position. This change in net position 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 position 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 position and statement of activities can be found on pages 15 and 16 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 11. 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 position 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 11-26 of this report.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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 position and changes in fiduciary net position on pages 22 and 23. 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 25-5G of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012 as restated in Note 3.A.

	<b>Net Position</b>	
	<b>Governmental Activities 2013</b>	<b>Restated Governmental Activities 2012</b>
<b>Assets:</b>		
Current and other assets	\$ 3,920,758	\$3,455,384
Capital assets, net	10,638,357	10,959,421
Total assets	14,559,115	14,414,805
<b>Deferred outflows of resources:</b>		
Deferred outflows of resources	105,057	116,214
<b>Liabilities:</b>		
Current liabilities	559,928	683,474
Long-term liabilities	2,386,008	2,471,473
Total liabilities	2,945,936	3,154,947
<b>Deferred inflows of resources:</b>		
Deferred inflows of resources	1,202,194	1,408,194
<b>Net Position:</b>		
Net investment in capital assets	9,028,315	9,428,521
Restricted	521,539	703,154
Unrestricted (deficit)	966,188	(163,797)
Total net position	\$10,516,042	\$9,967,878

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$10,516,042.

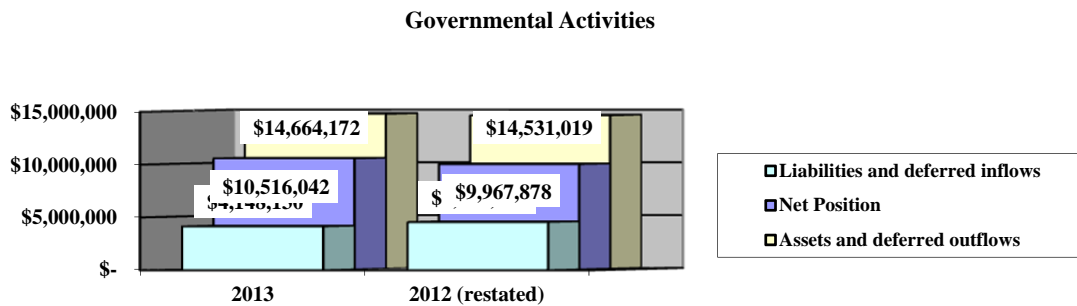
**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

At year-end, capital assets represented 73.07% 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, 2013, were \$9,028,315. 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.

A portion of the District's net position, \$521,539, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted net position balance is a balance of \$966,188.

The graph below illustrates the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position at June 30, 2013 and June 30, 2012. The net position at June 30, 2012 has been restated as described in Note 3.A.



The table below shows the change in net position for fiscal years 2013 and 2012. The net position at June 30, 2012 has been restated as described in Note 3.A.

	<b>Change in Net Position</b>	
	<b>Governmental Activities 2013</b>	<b>Restated Governmental Activities 2012</b>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services and sales	\$ 654,656	\$ 709,243
Operating grants and contributions	972,229	843,815
<b>General revenues:</b>		
Property taxes	1,755,701	1,110,014
School district income tax	1,442,088	1,303,473
Grants and entitlements	3,770,012	3,837,916
Investment earnings	5,617	8,103
Miscellaneous	33,384	38,929
<b>Total revenues</b>	<b>\$8,633,687</b>	<b>\$7,851,493</b>

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

Operating grants and contributions increased \$128,414 or 15.22% primarily due to an increase in Title I and miscellaneous federal grants. Property tax revenue increased \$645,687 or 58.17% 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 2013, 2012 and 2011. Tax advances available at June 30, 2013, June 30, 2012 and June 30, 2011 were \$347,145, \$124,617 and \$569,459, respectively. The amount of tax advances available from the County Auditor can vary depending upon when tax bills are mailed.

	<b>Change in Net Position</b>	
	<b>Governmental Activities 2013</b>	<b>Restated Governmental Activities 2012</b>
<b>Expenses:</b>		
<b>Program expenses:</b>		
<b>Instruction:</b>		
Regular	\$ 3,579,017	\$3,857,741
Special	1,137,781	987,146
Vocational	154,229	154,310
<b>Support services:</b>		
Pupil	192,056	143,985
Instructional staff	237,428	291,694
Board of education	14,311	15,298
Administration	443,425	387,608
Fiscal	282,261	260,325
Business	1,280	21,017
Operations and maintenance	809,287	860,371
Pupil transportation	437,979	435,963
Central		144,754
<b>Operation of non-instructional services:</b>		
Food service operations	395,798	412,285
Other non-instructional services	500	500
Extracurricular activities	253,278	225,836
Interest and fiscal charges	146,893	179,320
Total expenses	<u>8,085,523</u>	<u>8,378,153</u>
Change in net position	548,164	(526,660)
Net position at beginning of year (restated)	<u>9,967,878</u>	<u>10,494,538</u>
Net position at end of year	<u>\$10,516,042</u>	<u>\$9,967,878</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$548,164. Total governmental expenses of \$8,085,523 were offset by program revenues of \$1,626,885 and general revenues of \$7,006,802. Program revenues supported 20.12% 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 80.70% of total governmental revenue.

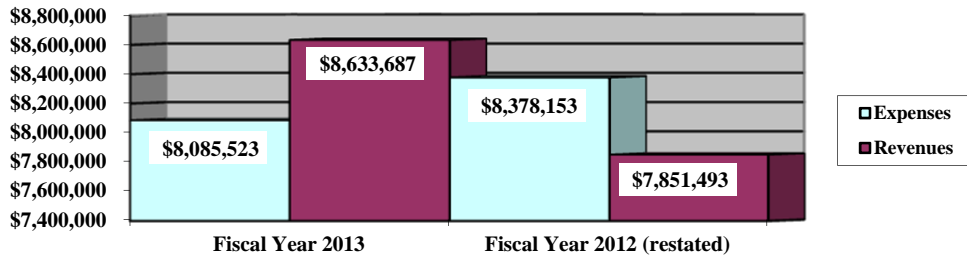
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,871,027 or 60.24% of total governmental expenses for fiscal year 2013.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2013 and 2012.

**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 2013 and 2012. 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 2013</b>	<b>Net Cost of Services 2013</b>	<b>Restated Total Cost of Services 2012</b>	<b>Restated Net Cost of Services 2012</b>
<b>Program expenses</b>				
<b>Instruction:</b>				
Regular	\$3,579,017	\$3,112,275	\$3,857,741	\$3,377,816
Special	1,137,781	482,972	987,146	445,697
Vocational	154,229	130,733	154,310	131,036
<b>Support services:</b>				
Pupil	192,056	189,500	143,985	142,629
Instructional staff	237,428	234,375	291,694	288,926
Board of education	14,311	14,311	15,298	15,298
Administration	443,425	443,425	387,608	387,608
Fiscal	282,261	282,257	260,325	260,321
Business	1,280	1	21,017	433
Operations and maintenance	809,287	805,364	860,371	856,347
Pupil transportation	437,979	404,045	435,963	384,940
Central			144,754	144,754
<b>Operation of non-instructional services:</b>				
Food service operations	395,798	40,074	412,285	56,139
Other non-instructional services	500	500	500	364
Extracurricular activities	253,278	171,913	225,836	153,467
Interest and fiscal charges	146,893	146,893	179,320	179,320
<b>Total expenses</b>	<b>\$8,085,523</b>	<b>\$6,458,638</b>	<b>\$8,378,153</b>	<b>\$6,825,095</b>

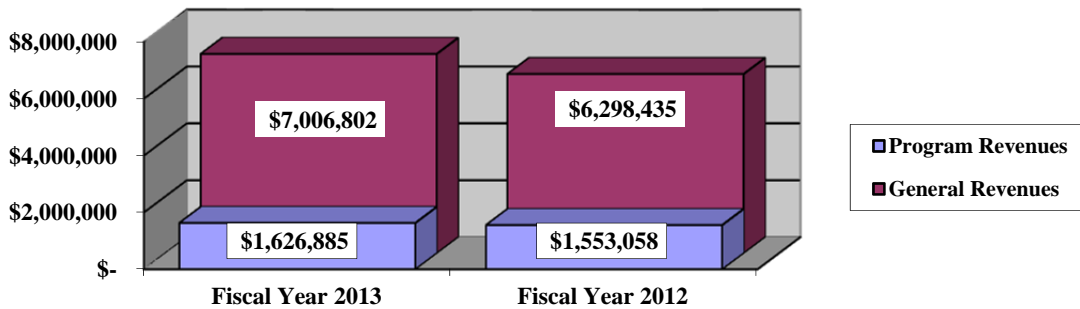
**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 76.49% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.88%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,871,577, which is higher than last year's total balance of \$1,033,005. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and June 30, 2012.

	<b>Fund Balance June 30, 2013</b>	<b>Fund Balance June 30, 2012</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Change</b>
General	\$1,169,111	\$ 374,159	\$794,952	212.46 %
Debt Service	318,885	240,267	78,618	32.72 %
Other Governmental	383,581	418,579	(34,998)	(8.36) %
<b>Total</b>	<b>\$1,871,577</b>	<b>\$1,033,005</b>	<b>\$838,572</b>	<b>81.18 %</b>

**General Fund**

The general fund's fund balance increased \$794,952 from a balance of \$374,159 to \$1,169,111. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<b>2013 Amount</b>	<b>2012 Amount</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Change</b>
<b>Revenues:</b>				
Taxes	\$2,742,687	\$2,160,781	\$581,906	26.93 %
Tuition	403,376	410,505	(7,129)	(1.74) %
Earnings on investments	5,617	8,103	(2,486)	(30.68) %
Intergovernmental	4,035,613	4,112,142	(76,529)	(1.86) %
Other revenues	67,914	89,914	(22,000)	(24.47) %
<b>Total</b>	<b>7,255,207</b>	<b>6,781,445</b>	<b>473,762</b>	<b>6.99 %</b>

(Continued)

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b>Expenditures:</b>				
Instruction	\$4,196,122	\$4,365,771	(169,649)	(3.89) %
Support Services	2,114,273	2,341,878	(227,605)	(9.72) %
Non-instructional services	500	500		0 %
Extracurricular activities	136,259	125,944	10,315	8.19 %
Capital outlay	158,707		158,707	100.00 %
Debt Service	13,098	3,785	9,313	246.05 %
Total	<u>\$6,618,959</u>	<u>\$6,837,878</u>	<u>(\$218,919)</u>	<u>(3.20) %</u>

Overall revenues of the general fund increased \$473,762 or 6.99%. Tax revenue increased \$581,906 or 26.93% 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 2013, 2012 and 2011. Tax advances available at June 30, 2013, June 30, 2012 and June 30, 2011 were \$272,352, \$96,376 and \$444,399, respectively. The amount of tax advances available from the County Auditor can vary depending upon when tax bills are mailed. Earnings on investments decreased due to miscellaneous interest earnings including a decrease in payroll interest. Other revenues decreased \$22,000 or 24.47% primarily because of a decrease in extracurricular revenues during fiscal year 2013.

Overall expenditures of the general fund decreased \$218,919 or 3.20%. This decrease is mainly attributable to minor decreases in instruction expenditures as well as a decrease in support services. Support services decreased mainly due to a decrease in instructional staff, operations and maintenance, and central expenditures. The District had an increase in capital outlay and debt service expenditures mainly due to the acquisition of a capital lease for copiers during fiscal year 2013.

***Debt Service Fund***

The debt service fund had \$322,228 in revenues and \$243,610 in expenditures. During fiscal year 2013, the debt service fund's fund balance increased \$78,618 from \$240,267 to \$318,885.

***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 \$7,024,787 and final budgeted revenues and other financing sources were \$7,024,787. Actual revenues and other financing sources for fiscal year 2013 were \$6,968,898.

General fund original appropriations and other financing uses totaled \$7,253,390 and final appropriations and other financing uses totaled \$7,253,390. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$6,712,512, which is lower than the final budgeted amounts by \$540,878.



**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013, the District had \$10,638,357 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, 2013 balances compared to June 30, 2012:

<b>Capital Assets at June 30, (Net of Depreciation)</b>		
	<b>Governmental Activities</b>	
	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Land	\$ 11,423	\$ 11,423
Land improvements	514,717	589,173
Buildings and improvements	9,717,891	10,058,793
Furniture, fixtures and equipment	332,569	224,993
Vehicles	61,757	75,039
Total	\$10,638,357	\$10,959,421

The overall decrease in capital assets of \$321,064 is a result of depreciation expense of \$482,615 exceeding capital asset additions of \$161,551 during fiscal year 2013.

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

***Debt Administration***

At June 30, 2013, the District had \$1,656,382 in general obligation bonds outstanding for building improvements and \$149,314 in capital leases outstanding. Of this total, \$170,079 is due within one year and \$1,635,617 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 2013</b>	<b>Governmental Activities 2012</b>
	Capital lease	\$ 149,314
General Obligation Bonds	1,656,382	\$1,745,955
Total	\$1,805,696	\$1,745,955

At June 30, 2013, the District's overall legal debt margin was \$4,847,176, and an un-voted debt margin of \$66,148.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

**Current Financial Related Activities**

The School District is proud of its community support of the school system. The School District voters approved a five year .75% income tax levy on May 5, 2009 and a five year 1.25% income tax levy on November 3, 2009, both effective January 1, 2010. The collection of this tax resulted in improvement to the School District's financial situation. The current income tax levies expire on December 31, 2014. The School District is placing a reduced five year income tax renewal levy of 1.75% on the November 5, 2013 ballot. The passage of the levy is crucial to the stability of the School District.

After three consecutive years of receiving federal stimulus funding, the fiscal year 2013 budget included no revenue from State Fiscal Stabilization Funds or Ed Jobs Funding. Through closely monitoring its operating expenditures, combined with the revenue generated through the income tax, the School District's revenue exceeded expenditures for the fourth year in a row, despite the loss of the Federal Funding.

The School District is always concerned with state funding formulas, the resources available to the state, and the proportions allocated to education. The current two year state budget and revised school funding formula projects increases in School funding for the Riverside Local School District through fiscal year 2015. The administration continues to try to balance education needs and community interests with the resources made available. The challenge for all School Districts is to provide quality services to the public while staying within the restrictions imposed by limited and changing funding.

**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: Jennifer Blackford, Treasurer, Riverside Local School District, 2096 CR 24 S, DeGraff, Ohio 43318.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$1,596,651
<b>Receivables:</b>	
Property taxes	1,726,799
Income taxes	513,834
Accounts	232
Accrued interest	635
Intergovernmental	65,037
External party loan receivable	10,000
Materials and supplies inventory	7,570
Land	11,423
Depreciable capital assets, net	10,626,934
Capital assets, net	10,638,357
Total assets	14,559,115
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	105,057
Total deferred outflows of resources	105,057
 <b>Liabilities:</b>	
Accounts payable	16,587
Accrued wages and benefits payable	407,160
Pension obligation payable	110,151
Intergovernmental payable	21,566
Accrued interest payable	4,464
<b>Long-term liabilities:</b>	
Due within one year	198,488
Due in more than one year	2,187,520
Total liabilities	2,945,936
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year	1,202,194
Total deferred inflows of resources	1,202,194
 <b>Net position:</b>	
Net investment in capital assets	9,028,315
<b>Restricted for:</b>	
Capital projects	212,427
Classroom facilities maintenance	69,168
Debt service	111,523
Locally funded programs	1,671
State funded programs	45
Federally funded programs	1,732
Student activities	23,650
Other purposes	101,323
Unrestricted	966,188
Total net position	\$10,516,042

*See accompanying notes to the basic financial statements.*

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	\$3,579,017	\$404,276	\$62,466	(\$3,112,275)
Special	1,137,781	13,460	641,349	(482,972)
Vocational	154,229	222	23,274	(130,733)
<b>Support services:</b>				
Pupil	192,056	2,556		(189,500)
Instructional staff	237,428		3,053	(234,375)
Board of education	14,311			(14,311)
Administration	443,425			(443,425)
Fiscal	282,261	4		(282,257)
Business	1,280	1,279		(1)
Operations and maintenance	809,287	323	3,600	(805,364)
Pupil transportation	437,979	14,793	19,141	(404,045)
<b>Operation of non-instructional services:</b>				
Other non-instructional services	500			(500)
Food service operations	395,798	151,203	204,521	(40,074)
Extracurricular activities	253,278	66,540	14,825	(171,913)
Interest and fiscal charges	146,893			(146,893)
<b>Total governmental activities</b>	<b>\$8,085,523</b>	<b>\$654,656</b>	<b>\$972,229</b>	<b>(6,458,638)</b>
<b>General revenues:</b>				
<b>Property taxes levied for:</b>				
General purposes				1,372,103
Debt service				281,153
Capital outlay				82,297
Special revenue				20,148
School district income tax				1,442,088
Grants and entitlements not restricted to specific programs				3,770,012
Investment earnings				5,617
Miscellaneous				33,384
<b>Total general revenues</b>				<b>7,006,802</b>
Change in net position				548,164
Net position at beginning of year (restated)				9,967,878
Net position at end of year				<b>\$10,516,042</b>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$924,704	\$260,411	\$394,425	\$1,579,540
<b>Receivables:</b>				
Property taxes	1,345,542	277,165	104,092	1,726,799
Income taxes	513,834			513,834
Accounts			232	232
Accrued interest	607		28	635
Interfund loans	32,726			32,726
Intergovernmental	20,258		44,779	65,037
Materials and supplies inventory			7,570	7,570
External party loan receivable	10,000			10,000
<b>Restricted assets:</b>				
Equity in pooled cash and cash equivalents	17,111			17,111
<b>Total assets</b>	<u>2,864,782</u>	<u>537,576</u>	<u>551,126</u>	<u>3,953,484</u>
<b>Liabilities:</b>				
Accounts payable	16,411		176	16,587
Accrued wages and benefits payable	380,698		26,462	407,160
Compensated absences payable	6,088		7,389	13,477
Interfund loans payable			32,726	32,726
Intergovernmental payable	20,627		939	21,566
Pension obligation payable	99,802		10,349	110,151
<b>Total liabilities</b>	<u>523,626</u>		<u>78,041</u>	<u>601,667</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year	934,912	190,207	77,075	1,202,194
Delinquent property tax revenue not available	138,278	28,484	10,698	177,460
Other non-exchange transactions not available			1,731	1,731
Miscellaneous revenue not available	11,121			11,121
Income tax revenue not available	87,734			87,734
<b>Total deferred inflows of resources</b>	<u>1,172,045</u>	<u>218,691</u>	<u>89,504</u>	<u>1,480,240</u>
<b>Fund balances:</b>				
<b>Non-spendable:</b>				
Materials and supplies inventory			7,570	7,570
<b>Restricted:</b>				
Debt service		318,885		318,885
Capital improvements			204,071	204,071
Classroom facilities maintenance			66,826	66,826
Food service operations			81,850	81,850
Special education			1	1
Other purposes			1,716	1,716
Extracurricular			23,650	23,650
School bus purchases	17,111			17,111
<b>Assigned:</b>				
Student instruction	4,088			4,088
Student and staff support	32,755			32,755
School supplies	759			759
Other purposes	4,926			4,926
Unassigned (deficit)	1,109,472		(2,103)	1,107,369
<b>Total fund balances</b>	<u>1,169,111</u>	<u>318,885</u>	<u>383,581</u>	<u>1,871,577</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$2,864,782</u>	<u>\$537,576</u>	<u>\$551,126</u>	<u>\$3,953,484</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013**

Total governmental fund balances		\$1,871,577
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,638,357
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$177,460	
Income taxes receivable	87,734	
Intergovernmental receivable	12,852	
Total	278,046	278,046
Unamortized deferred charges are not recognized in the funds.		105,057
Unamortized premiums on bond issuance are not recognized in the funds.		(140,785)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(4,464)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(1,656,382)	
Capital lease obligations	(149,314)	
Compensated absences	(426,050)	
Total	(2,231,746)	(2,231,746)
Net position of governmental activities		\$10,516,042

*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, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
<b>From local sources:</b>				
Property taxes	\$1,388,333	\$284,844	\$103,784	\$1,776,961
Income taxes	1,354,354			1,354,354
Tuition	403,376			403,376
Transportation fees	3,219			3,219
Earnings on investments	5,617		643	6,260
Charges for services			151,203	151,203
Extracurricular	3,835		65,270	69,105
Classroom materials and fees	27,426			27,426
Rental income	50			50
Contributions and donations	4,230			4,230
Other local revenues	29,154		18,020	47,174
Intergovernmental - intermediate			7,763	7,763
Intergovernmental - state	4,035,613	37,384	46,416	4,119,413
Intergovernmental - federal			594,948	594,948
Total revenues	<u>7,255,207</u>	<u>322,228</u>	<u>988,047</u>	<u>8,565,482</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,267,451		81,494	3,348,945
Special	790,902		338,290	1,129,192
Vocational	137,769			137,769
<b>Support services:</b>				
Pupil	192,094			192,094
Instructional staff	191,371		3,055	194,426
Board of education	14,311			14,311
Administration	427,036			427,036
Fiscal	270,558	6,955	2,599	280,112
Business	1,280			1,280
Operations and maintenance	611,691		160,281	771,972
Pupil transportation	405,932		14,529	420,461
<b>Operation of non-instructional services:</b>				
Other non-instructional services	500			500
Food service operations			355,397	355,397
Extracurricular activities	136,259		67,403	203,662
Facilities acquisition and construction				
Capital outlay	158,707			158,707
<b>Debt service:</b>				
Principal retirement	9,393	180,000		189,393
Interest and fiscal charges	3,705	56,655		60,360
Total expenditures	<u>6,618,959</u>	<u>243,610</u>	<u>1,023,048</u>	<u>7,885,617</u>
Excess (deficiency) of revenues over (under) expenditures	<u>636,248</u>	<u>78,618</u>	<u>(35,001)</u>	<u>679,865</u>
<b>Other financing sources (uses):</b>				
Transfers in			3	3
Transfers (out)	(3)			(3)
Capital lease transaction	158,707			158,707
Total other financing sources (uses)	<u>158,704</u>		<u>3</u>	<u>158,707</u>
Net change in fund balances	794,952	78,618	(34,998)	838,572
Fund balances at beginning of year	<u>374,159</u>	<u>240,267</u>	<u>418,579</u>	<u>1,033,005</u>
Increase (decrease) in reserve for inventory				
Fund balances at end of year	<u>\$1,169,111</u>	<u>\$318,885</u>	<u>\$383,581</u>	<u>\$1,871,577</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, 2013**

Net change in fund balances - total governmental funds		\$838,572
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$161,551	
Current year depreciation	(482,615)	
Total		(321,064)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(21,260)	
Income taxes	87,734	
Intergovernmental	4,517	
Total		70,991
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	180,000	
Capital leases	9,393	
Total		189,393
Issuance of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(158,707)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	100	
Accreted interest on capital appreciation bonds	(90,427)	
Amortization of bond premiums	14,951	
Amortization of deferred charges	(11,157)	
Total		(86,533)
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.		
		15,512
Change in net position of governmental activities		\$548,164

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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>From local sources:</b>				
Property taxes	\$1,228,907	\$1,191,787	\$1,212,357	\$20,570
Income taxes	1,274,427	1,311,938	1,261,155	(50,783)
Tuition	405,232	420,816	403,376	(17,440)
Transportation fees	2,554	2,505	3,219	714
Earnings on investments	7,634	7,488	5,675	(1,813)
Classroom materials and fees	2,363	2,318	1,188	(1,130)
Rental income	102	100	50	(50)
Other local revenues	30,744	30,154	33,233	3,079
Intergovernmental - state	4,026,209	4,055,538	4,035,613	(19,925)
Total revenues	<u>6,978,172</u>	<u>7,022,644</u>	<u>6,955,866</u>	<u>(66,778)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,659,733	3,540,090	3,385,555	154,535
Special	933,276	911,891	840,524	71,367
Vocational	152,716	147,056	137,100	9,956
<b>Support services:</b>				
Pupil	195,159	223,297	190,271	33,026
Instructional staff	223,198	218,972	205,112	13,860
Board of education	16,830	19,485	14,618	4,867
Administration	423,297	468,353	431,857	36,496
Fiscal	272,569	315,402	272,212	43,190
Operations and maintenance	818,366	764,955	613,151	151,804
Pupil transportation	421,790	488,703	454,225	34,478
Extracurricular activities	130,798	143,186	126,002	17,184
Total expenditures	<u>7,247,732</u>	<u>7,241,390</u>	<u>6,670,627</u>	<u>570,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(269,560)</u>	<u>(218,746)</u>	<u>285,239</u>	<u>503,985</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures	1,043	1,043	11,351	10,308
Transfers in			581	581
Transfers (out)	(5,658)	(12,000)	(9,159)	2,841
Advances in	45,572	1,100	1,100	
Advances (out)			(32,726)	(32,726)
Total other financing sources (uses)	<u>40,957</u>	<u>(9,857)</u>	<u>(28,853)</u>	<u>(18,996)</u>
Net change in fund balance	(228,603)	(228,603)	256,386	484,989
Fund balance at beginning of year	604,684	604,684	604,684	
Prior year encumbrances appropriated	22,717	22,717	22,717	
Fund balance at end of year	<u>\$398,798</u>	<u>\$398,798</u>	<u>\$883,787</u>	<u>\$484,989</u>

See accompanying notes to the basic financial statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$23,686	\$85,854
Total assets	23,686	85,854
<b>Liabilities:</b>		
Accounts payable		507
External party loan payable		10,000
Due to students		75,347
Total liabilities		\$85,854
<b>Net position:</b>		
Held in trust for scholarships	23,686	
Total net position	\$23,686	

*See accompanying notes to the basic financial statements.*

RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
<b>Additions:</b>	
Interest	\$131
Total additions	<u>131</u>
<b>Deductions:</b>	
Scholarships awarded	<u>300</u>
Change in net position	(169)
Net position at beginning of year	<u>23,855</u>
Net position at end of year	<u><u>\$23,686</u></u>

*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, 2013**

**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 58 certified full-time teaching personnel who provide services to 704 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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 government's 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).

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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

**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, 2013  
(Continued)**

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

**Ohio Hi-Point Career Center**

The Ohio Hi-Point Career Center (Center) is a distinct political subdivision of the State of Ohio that provides vocational education to students. The Center 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 Career Center, 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources are 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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 position and changes in net position. 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 position 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

**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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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, current deferred outflows of resources, current liabilities and current deferred inflows of resources 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, 2013  
(Continued)**

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

**2. Deferred Inflows of Resources and Deferred Outflows of Resources**

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows of resources 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 inflows of resources.

**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, 2013  
(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.

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 2013 amounted to \$5,617, which includes \$2,351 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 position, 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.

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

<u>Description</u>	<u>Governmental Activities 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 position. 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, 2013, 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, 2013 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 noncurrent portion of the liability is not reported.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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 Bond Premium and Discount/Issuance Costs/Unamortized Accounting Gain and Loss**

On the government wide financial statements, issuance costs are expensed in the year they occur.

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. On fund financial statements and government-wide financial statements, issuance costs are expensed in the fiscal year they occur.

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 a deferred outflow of resources.

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 position is presented in Note 11.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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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 Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The 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 position is available.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**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 19 for details.

**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.

**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 2013.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the District:

	<b>Governmental Activities</b>
Net assets as previously reported	\$10,007,400
Removal of unamortized bond issuance costs	(39,522)
Net position at July 1, 2012	<b>\$ 9,967,878</b>

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficit:



**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

<b>Non-major governmental fund</b>	<b>Deficit</b>
Race to the top	\$ 20
Title I	2,031
Improving teacher quality	52

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 an other financing source.

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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;

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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.

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. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all District deposits was \$1,706,191. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$1,512,334 of the District's bank balance of \$1,767,952 was exposed to custodial risk as discussed below, while \$255,618 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.

**B. Reconciliation of Cash and Investments to the Statement of Net Position**

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 position as of June 30, 2013:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

<b>Cash and investments per note:</b>	
Carrying amount of deposits	\$1,706,191
Total	\$1,706,191

<b>Cash and investments per statement of net position:</b>	
Governmental activities	\$1,596,651
Private-purpose trust fund	23,686
Agency fund	85,854
Total	\$1,706,191

**5. INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2013 as reported on the fund statements consist of the following individual interfund loan receivable and payable:

<b>Receivable fund</b>	<b>Payable fund</b>	<b>Amount</b>
General fund	Non-major governmental funds	\$32,726

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, 2013 are reported on the statement of net position.

- 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, 2013:

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

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

- C.** Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

<b>Transfers from the general fund to:</b>	<b>Amount</b>
Non-major governmental funds	\$3

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) restrict revenues for debt service through transfers from the funds collecting the receipts to the debt service fund (a non-major governmental fund) as debt service payments become due.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**5. INTERFUND TRANSACTIONS (Continued)**

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**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 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

The District receives property taxes from Logan and Shelby Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$272,352 in the general fund, \$58,474 in the debt service fund and \$16,319 in the permanent improvement fund (a non-major governmental fund). This amount is recorded as revenue. The amount available for 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 non-major 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, 2013 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 deferred inflows.

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 reported as a deferred inflow.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$63,128,980	97.15	\$63,872,630	96.56
Public utility personal	1,848,630	2.85	2,275,050	3.44
Total	\$64,977,610	100.00	\$66,147,680	100.00
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 2013 amounted to \$1,354,354.

**8. RECEIVABLES**

Receivables at June 30, 2013 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 position follows:

**Governmental activities:**

Property taxes	\$ 1,726,799
Income taxes	513,834
Accounts	232
Accrued interest	635
Intergovernmental	65,037
Total	\$ 2,306,537

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

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 11,423			\$ 11,423
Total capital assets, not being depreciated	<u>11,423</u>			<u>11,423</u>
<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	1,762,469	\$161,551		1,924,020
Vehicles	609,552			609,552
Textbooks	632,952			632,952
Total capital assets, being depreciated	<u>18,465,128</u>	<u>161,551</u>		<u>18,626,679</u>
<b>Less: accumulated depreciation</b>				
Land improvements	(752,020)	(74,456)		(826,476)
Buildings and improvements	(4,060,169)	(340,902)		(4,401,071)
Furniture, fixtures and equipment	(1,537,476)	(53,975)		(1,591,451)
Vehicles	(534,513)	(13,282)		(547,795)
Textbooks	(632,952)			(632,952)
Total accumulated depreciation	<u>(7,517,130)</u>	<u>(482,615)</u>		<u>(7,999,745)</u>
Governmental activities capital assets, net	<u>\$10,959,421</u>	<u>(\$321,064)</u>	<u>\$0</u>	<u>\$10,638,357</u>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$251,577
Special	6,516
Vocational	16,111
<b>Support services:</b>	
Instructional staff	37,664
Administration	6,694
Fiscal	3,258
Operations and maintenance	46,953
Pupil transportation	15,860
Extracurricular	49,756
Food service operations	48,226
Total depreciation expense	<u>\$482,615</u>

**10. CAPITAL LEASES - LESSEE DISCLOSURE**

In fiscal year 2013, the District entered into capitalized leases for the acquisition of copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**10. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)**

Capital assets acquired by lease have been originally capitalized in the amount of \$158,707, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2013 was \$15,871, leaving a current book value of \$142,836. Principal payments in the 2013 fiscal year totaled \$9,393. This amount is reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2013.

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2014	\$ 35,940
2015	35,940
2016	35,940
2017	35,940
2018	<u>23,960</u>
Total minimum lease payments	167,720
Less: amount representing interest	<u>(18,406)</u>
Present value of minimum lease payments	<u>\$ 149,314</u>

**11. LONG-TERM OBLIGATIONS**

A. During fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due in One Year</u>
<b>Governmental activities:</b>					
Capital lease - Copier 2013		\$158,707	(\$ 9,393)	\$ 149,314	\$ 29,136
G.O. Bonds- Series 2001	\$ 136,457	8,543	(145,000)		
G.O. Refunding Bonds - Series 2006	1,609,498	81,884	(35,000)	1,656,382	140,943
Compensated absences	569,782	33,921	(164,176)	439,527	28,409
Total	<u>\$2,315,737</u>	<u>\$283,055</u>	<u>(\$353,569)</u>	<u>2,245,223</u>	<u>\$198,488</u>
Add: unamortized premium				<u>140,785</u>	
Total on statement of net position				<u>\$2,386,008</u>	

**1. 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 non-major governmental fund).

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**2. 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.

Capital appreciation bonds in the amount of \$31,378 were retired in fiscal year 2013. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. During fiscal year 2013, the final payments were made on the Series 2001 Bonds.

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 2013 on the 2001 series general obligation bonds:

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2013</b>
Capital appreciation bonds - 2001 series	\$31,378		(\$ 31,378)	
Capital appreciation bonds - Accreted interest	105,079	\$8,543	(113,622)	
Total	<u>\$136,457</u>	<u>\$8,543</u>	<u>(\$145,000)</u>	<u>\$0</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 position.

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 \$231,382 has been included on the statement of net position. 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.



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(Continued)**

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

The following is a schedule of activity for fiscal year 2013 on the 2006 series refunding bonds:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>
Current interest bonds - 2006 series	\$1,450,000		(\$35,000)	\$1,415,000
Capital appreciation bonds - 2006 series	10,000			10,000
Capital appreciation bonds - Accreted interest	149,498	\$81,884		231,382
Total	<u>\$1,609,498</u>	<u>\$81,884</u>	<u>(\$35,000)</u>	<u>\$1,656,382</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	190,000	43,425	233,425			
2019 - 2023	<u>865,000</u>	<u>109,965</u>	<u>974,965</u>			
Total	<u>\$1,415,000</u>	<u>\$371,190</u>	<u>\$1,786,190</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 un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted 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, 2013, are a voted debt margin of \$4,847,176 (including available funds of \$318,885) and an un-voted debt margin of \$66,148.

**12. 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 matured on December 1, 2012 and bore an interest rate of 4.00%. These notes are backed by the full faith and credit of the District.

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

**12. NOTES PAYABLE (Continued)**

The following is a schedule of activity for fiscal year 2013 on the income tax anticipation notes:

	<b>Balance Outstanding 06/30/12</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Outstanding 06/30/13</b>	<b>Amounts Due in One Year</b>
Income tax anticipation notes - 4.00%	\$66,667	\$0	(\$66,667)	\$0	\$0

**13. 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.

**14. RISK MANAGEMENT**

**A. Property and Liability**

During fiscal year 2013, 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.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**14. 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 2013, 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 school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. 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 their tiered group. 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.

**15. 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 2013, 13.05 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, 2013, 2012 and 2011 were \$107,191, \$109,327 and \$92,422, respectively; 84.56 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

**15. 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 2013, 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, 2013, 2012 and 2011 were \$371,704, \$406,780 and \$402,007, respectively; 83.67 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$524 made by the District and \$374 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, 2013, 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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**16. POST-EMPLOYMENT 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 monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 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 2013, 0.16 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 2013, the actuarially determined amount was \$20,525.

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, 2013, 2012 and 2011 were \$17,448, \$20,977 and \$28,285, respectively; 84.56 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$6,055, \$6,456 and \$5,948, respectively; 84.56 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**16. POST-EMPLOYMENT 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 2013, 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, 2013, 2012 and 2011 were \$28,593, \$31,291 and \$30,924, respectively; 83.67 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**17. 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).

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:

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 256,386
Net adjustment for revenue accruals	265,038
Net adjustment for expenditure accruals	41,268
Net adjustment for other sources/uses	187,557
Funds budgeted elsewhere	(722)
Adjustment for encumbrances	45,425
GAAP basis	\$ 794,952

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.

**18. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**19. 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.

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

	<b>Capital Improvements</b>
Set-aside balance June 30, 2012	
Current year set-aside requirement	\$121,499
Contributions in excess of the current fiscal year set-aside requirement	
Current year qualifying expenditures	
Excess qualified expenditures from prior years	
Current year offsets	(132,821)
Waiver granted by ODE	
Prior year offset from bond proceeds	
Total	(\$ 11,322)
Balance carried forward to fiscal year 2014	\$ 0
Set-aside balance June 30, 2013	\$ 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, 2013.

A schedule of the restricted assets at June 30, 2013 follows:

Amount restricted for school bus purchases	\$17,111
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**20. 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	\$ 45,425
Non-major governmental funds	89,482
Total	\$134,907



RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non Cash Receipts	Disbursements	Non Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
<b>Child Nutrition Cluster:</b>						
School Breakfast Program	N/A	10.553	\$39,787		\$39,787	
National School Lunch Program Non-Cash Assistance (Food Distribution)	N/A	10.555	159,284		159,284	
National School Lunch Program	N/A	10.555		\$27,999		\$27,999
Total Child Nutrition Cluster			<u>199,071</u>	<u>27,999</u>	<u>199,071</u>	<u>27,999</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	N/A	84.010	151,449		157,144	
	N/A		1,100			
			<u>152,549</u>		<u>157,144</u>	
Special Education Grants to States	N/A	84.027	136,057		154,435	
Rural Education	N/A	84.358	9,180		13,528	
Improving Teacher Quality State Grants	N/A	84.367	27,767		27,767	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	N/A	84.395	26,936		26,936	
Total U.S. Department of Education			<u>352,489</u>		<u>379,810</u>	
Total Federal Financial Assistance			<u>\$551,560</u>	<u>\$27,999</u>	<u>\$578,881</u>	<u>\$27,999</u>

*The accompanying notes 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, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Riverside Local School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C - FOOD DONATION**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2014; wherein we noted the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities* resulting in a restatement of net position.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 13, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Riverside Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Riverside Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Major Federal Program***

In our opinion, the Riverside Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2013.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-001. This finding did not require us to modify our compliance opinion on the major federal program.

**Report on Internal Control over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2013-001.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 13, 2014

**RIVERSIDE LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2013-001
<b>CFDA Title and Number</b>	Child Nutrition Cluster: School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA #10.555
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance/Significant Deficiency**

**7 CFR Section 245.6 (c) (1)** states, in part that, eligibility for free or reduced price meals, as determined through an approved application or by direct certification, must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. The local educational agency must determine eligibility for free or reduced price meals when a household submits an application or, if feasible, through direct certification, at any time during the school year.

**7 CFR Section 245.6(c)(4)** states that the local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in Section 245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in Section 245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

One of the twenty-five applications tested was incorrectly approved as being a reduced price lunch. The application should have been denied for reduced lunch based on the number of individuals within the household and the income being reported on the Free and Reduced Application. Failure to accurately approve applications in accordance with the Income Eligibility Guidelines could result in loss of federal funds for the District.

The District should implement policies and procedures to ensure that all students are being included at the proper price points for free and reduced lunches. Applications should be reviewed for accuracy when not relying on a computer system for eligibility.

**Response:** District Official's declined to respond to the finding.





# Dave Yost • Auditor of State

## Independent Accountant's Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Riverside Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 26, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 13, 2014

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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  
FEBRUARY 11, 2014**