



Dave Yost • Auditor of State



**REVERE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Revere Local School  
Summit County  
3496 Everett Road  
Richfield, Ohio 44286

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Revere Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Revere Local School, Summit County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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



**Dave Yost**  
Auditor of State

November 2, 2012

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

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The discussion and analysis of the Revere Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2012 are as follows:

- Net assets decreased \$829,132, which represents a 3.21 percent decrease from 2011.
- Capital assets decreased \$986,435 during fiscal year 2012.
- During the year, outstanding debt increased from \$7,514,092 to \$9,650,624 due to new debt issued in fiscal year 2012 of \$3,225,768, offset by payment of bond principal.

***Using this Annual Report***

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Revere Local School District, the general fund is by far the most significant fund.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and non instructional services, i.e., food service operations.

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

***Fund Financial Statements***

The major funds financial statements begin on page 16. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

***Proprietary Fund*** The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its vision insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 21.

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Statements of Changes in Fiduciary Net Assets on pages 24 and 25. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.



**Revere Local School District**  
*Management's Discussion and Analysis*  
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**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

**Table 1**  
**Net Assets**

	Governmental Activities	
	2012	2011
<b>Assets</b>		
Current and Other Assets	\$ 51,483,567	\$ 47,878,409
Capital Assets	16,196,969	17,183,404
<i>Total Assets</i>	67,680,536	65,061,813
<b>Liabilities</b>		
Other Liabilities	30,618,477	28,945,005
Long-Term Liabilities	12,051,709	10,277,326
<i>Total Liabilities</i>	42,670,186	39,222,331
<b>Net Assets</b>		
Invested in Capital Assets,		
Net of Debt	10,468,358	10,271,540
Restricted	4,986,693	4,312,795
Unrestricted	9,555,299	11,255,147
<i>Total Net Assets</i>	\$ 25,010,350	\$ 25,839,482

At year end, capital assets represented 23.93 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt were \$10,468,358 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending. Although the School 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 School District's net assets, \$4,986,693 or 19.94 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets of \$9,555,299 may be used to meet the government's ongoing obligations to students and creditors.

Current and other assets increased \$3.6 million from fiscal year 2011. Most of this increase is due to property taxes increasing \$1.7 million and cash increasing \$2.1 million over 2011. The taxes receivable increase was the result in the timing of a 4.83 mills emergency levy passed by voters in May 2011 and the cash increase was primarily the result of tax levy collections versus expenses in the general and permanent improvements capital project fund.

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Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2012	2011
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,734,216	\$ 1,558,702
Operating Grants	1,238,964	1,895,809
Capital Grants	120,500	100,000
<i>Total Program Revenues</i>	<u>3,093,680</u>	<u>3,554,511</u>
<i>General Revenues:</i>		
Property Taxes	27,140,739	25,865,615
Grants and Entitlements Not Restricted	6,823,097	7,422,464
Other	75,453	233,635
<i>Total General Revenues</i>	<u>34,039,289</u>	<u>33,521,714</u>
<i>Total Revenues</i>	<u>37,132,969</u>	<u>37,076,225</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	15,032,917	16,386,766
Special	921,337	1,260,499
Vocational	278,892	437,213
Student Intervention Services	1,911,045	1,827,939
Other	797,291	631,688
<i>Support Services:</i>		
Pupils	1,687,283	1,693,687
Instructional Staff	1,278,173	1,165,653
Board of Education	370,130	189,462
Administration	2,246,349	2,281,599
Fiscal	1,274,485	1,190,881
Business	87,240	57,277
Operation and Maintenance of Plant	6,437,424	3,103,918
Pupil Transportation	2,366,479	2,264,694
Central	564,759	264,314
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	860,836	921,435
Community Services	342,214	311,091
Extracurricular Activities	1,034,605	1,164,408
<i>Debt Service:</i>		
Interest and Fiscal Charges	470,642	359,265
<i>Total Expenses</i>	<u>37,962,101</u>	<u>35,511,789</u>
<i>Increase (Decrease) in Net Assets</i>	(829,132)	1,564,436
<i>Net Assets at Beginning of Year</i>	<u>25,839,482</u>	<u>24,275,046</u>
<i>Net Assets at End of Year</i>	<u>\$ 25,010,350</u>	<u>\$ 25,839,482</u>

Charges for services increased \$175,514 over fiscal year 2011 due to an increase in lunch sales and an increase in extracurricular activities. Operating grants went down \$656,845 through the loss of Education Jobs, ARRA and other federal grant money. Revenues in total increased \$56,744 or .15 percent over fiscal year 2011.

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Expenses increased \$2.4 million or 6.9 percent over fiscal year 2011. The majority of the increase is the increase of operation and maintenance of plant of \$3.3 million over 2011. The reason for the increase was due to remodeling of the school buildings to conserve energy; these were determined to not be capitalized costs and were funded with the issuance of Qualified Schools Construction Bonds.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 15,032,917	\$ 16,386,766	\$ 14,503,783	\$ 15,495,623
Special	921,337	1,260,499	750,002	1,165,395
Vocational	278,892	437,213	278,892	437,213
Student Intervention Services	1,911,045	1,827,939	1,911,045	1,827,939
Other	797,291	631,688	754,200	631,688
Support Services:				
Pupils	1,687,283	1,693,687	1,463,018	1,441,141
Instructional Staff	1,278,173	1,165,653	1,149,565	854,594
Board of Education	370,130	189,462	370,130	189,462
Administration	2,246,349	2,281,599	2,183,677	2,199,838
Fiscal	1,274,485	1,190,881	1,274,485	1,190,881
Business	87,240	57,277	87,240	57,277
Operation and Maintenance of Plant	6,437,424	3,103,918	6,421,874	3,081,668
Pupil Transportation	2,366,479	2,264,694	2,366,479	2,204,415
Central	564,759	264,314	564,759	259,314
Operation of Non-Instructional Services:				
Food Service Operations	860,836	921,435	10,297	129,220
Community Services	342,214	311,091	(102,348)	(219,292)
Extracurricular Activities	1,034,605	1,164,408	410,681	651,637
Debt Service:				
Interest and Fiscal Charges	470,642	359,265	470,642	359,265
<i>Total Expenses</i>	<u>\$ 37,962,101</u>	<u>\$ 35,511,789</u>	<u>\$ 34,868,421</u>	<u>\$ 31,957,278</u>

The dependence upon general revenues for governmental activities is apparent. Over 90 percent of governmental activities are supported through taxes and other general revenues; such revenues are 92 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

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*Management's Discussion and Analysis*  
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***Governmental Funds***

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$37.2 million and expenditures of \$38.5 million for fiscal year 2012. The net change in fund balances for the fiscal year was an increase of \$2.0 million for all governmental funds with the most significant increase in the general fund.

The general fund's net change in fund balance for fiscal year 2012 was an increase of \$855,780. A \$1.4 million increase in tax revenue from a 4.83 mills emergency levy passed by voters in May 2011 which accounts for most of the \$669,791 increase in revenues over fiscal year 2011. Expenditures in fiscal year 2012 increased \$533,022 over the prior year partially due to the general fund paying some salaries paid by grants that expired in fiscal year 2011.

There was a significant increase to operation and maintenance of plant in the other governmental funds. The building fund accounted for the majority of the increase due to a remodeling project to the school buildings to conserve energy.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2012, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was the same as the final budget basis revenue.

Final appropriations of \$32,223,727 were \$504,507 higher than the actual expenditures of \$31,719,220, with the majority of the decrease in regular instruction which was lower than expected.

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*Management's Discussion and Analysis*  
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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2012, the School District had \$16.2 million invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2012	2011
Land	\$ 1,737,052	\$ 1,900,942
Land Improvements	1,962,452	2,540,474
Buildings and Building Improvements	10,937,437	10,985,255
Furniture and Equipment	382,269	877,567
Vehicles	1,177,759	879,166
<i>Totals</i>	\$ 16,196,969	\$ 17,183,404

The \$986,435 decrease in capital assets was attributable to current depreciation and disposals exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

**Debt**

At June 30, 2012, the School District had \$9.7 million in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2012	2011
2011 Energy Conservation Improvement Bond	\$ 3,225,768	\$ 0
2003 Bond Refunding	5,060,000	6,155,000
2003 Capital Appreciation Bonds	599,880	599,880
Accretion on Capital Improvement Bonds	481,589	409,146
Unamortized Bond Premium	283,387	350,066
<i>Total</i>	\$ 9,650,624	\$ 7,514,092

***Current Issues***

From the perspective of return on investment, the Revere Local School District continues to achieve outstanding academic results. These results are clearly derived from the combined effort of our students,

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*Management's Discussion and Analysis*  
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staff, parents and community. The students come prepared to learn, the staff is highly qualified and the parents, along with the community support education.

***Executive Summary***

School funding in Ohio continues to be an unresolved and controversial matter. Combined with the uncertain funding model is the economic downturn in our country and state which has negatively impacted the School District's revenue through reduced property taxes based on inside millage, which will first impact the system in Fiscal Year 2012. In resolving the school funding issue, it is very clear that the State wants to penalize high wealth districts like Revere through models that transfer revenue to low wealth districts or by promoting some form of vouchers funded from local tax dollars. There is also a belief that the financial burden for enhanced educational programs should be transferred to the local level.

As stewards of public dollars, the School District's fiscal policy continues to be that of doing more with less. We have worked to contain or reduce costs and address all expenditures within our control. Some of the key steps taken include the formation of a health care consortium, implementing a severance plan designed to reduce salary costs, utilization of stimulus money to improve facilities, applying technology to reduce operating costs, increasing participation in buying consortiums and exploring opportunities to apply the concept of shared services.

**Expanded Discussion of Current Issues**

Under the longstanding funding model in the State of Ohio, the Revere Local School District is penalized based on our high, local property values. We have traditionally been defined as a "zero percent" State share district and received State funding on a reduced basis under a formula involving what is called the funding guarantee instead of on a per pupil basis. The funding guarantee payment was capped, fixed amount and was put in place to prevent a total loss of funding based on property values which is a key component of the funding formula. Under the funding formula, property values are divided by student enrollment which results in a valuation figure on a per pupil basis. The School District's valuation per pupil at \$346,000 is significantly above the State average. The assessed property values for calendar year 2011 payable in calendar 2012 are \$907,436,000. Under the biennium budget effective July of 2009, an effort was put forth by the legislature to eliminate all funding under the "guarantee" and a new funding system was proposed, which was never fully implemented. That model was called the Evidenced Based Model (EBM). The current governor initially made very significant cuts to State funding for the School District and his budget continued to uphold the elimination of the guarantee. Those proposed cuts were softened for year one of the biennium budget after lengthy debate with the legislature. It is clear however, that the governor intends to revisit the budget midterm and it is anticipated additional cuts will be on the horizon. What is known about the future funding model for the state is that the EBM will be eliminated; consequently, the State has initiated a study panel to determine the best methodology under which public education should be funded. Preliminary information supports the prior funding philosophy that high wealth districts can afford cuts in funding and that more responsibility for school funding must be generated locally for those high wealth districts.

Of significant impact to the Revere Local School District were the loss of the Public Utility Tax hold harmless payments and the reduction of the Tangible Property Tax hold harmless payments. In the way of review, the State modified its tax structure to encourage business investment in Ohio. With the changes to the tax base structure, important sources of revenue were eliminated and there was an agreement by the legislature to put in place a hold harmless reimbursement structure for public schools. Under the Public Utility payments the School District lost \$445,000 per year in revenue and under the Tangible Property Tax the School District will lose \$1.177 million per year in revenue.

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*Management's Discussion and Analysis*  
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The ramifications associated with being a “high wealth” school district and the modification of the funding formula which may include the loss of the funding guarantee would be extremely detrimental and encompass more than the loss of direct funding received from the State. Those ramifications are as follows: the School District’s State funding would be capped without needed increases to offset inflationary pressures, the School District would not receive funding for new students entering the school system, the School District would not receive supplemental funding for special needs students, and the funding burden would be shifted to local tax payers instead of being a shared responsibility with the State. From year to year the name of the State’s school funding formula may change but the impact remains or may actually worsen, based upon the strong socio-economic profile of the Revere Local School District.

The School District continues to receive support from the residents of the School District through local property taxes. As the preceding information describes, the School District relies heavily on its local taxpayers. In reviewing the School District’s ballot activity over the past ten years, new money was passed by the residents of the School District in August of 2001. This levy was in the amount of 6.9 mills, for a fixed term, under a five year Emergency Levy. That levy generates \$4.6 million annually. As an emergency levy, the annual collection remains flat and does not grow as new value is added through new construction. This emergency levy was then placed on the ballot in November of 2005 for renewal and was approved overwhelmingly at that time. It was again put up for renewal in February of 2011 and supported by the community. Based upon the five year budget forecasting tool, over the last several years the School District had identified the need for new money and weighed that need against the fact that we had not gone back to the community with a new money levy for just over ten years. Acting on the information and financial assumptions contained in the forecasting tool, the School District was on the ballot for a 10 year emergency levy in the amount of \$4.76 million. This levy equated to 4.83 mills and was supported by our voters after 3 attempts in May of 2011. As noted above, the School District has been able to stretch out its levy cycle, the time span between requests for new money, to over ten years which is unprecedented based upon the school funding model in Ohio. This was accomplished through effective fiscal management as well as continuous growth in the School District’s property tax base.

In the 2012-2013 school year, all-day kindergarten was implemented with 4 classes on a full day schedule. Under the current governor, all-day kindergarten is not required but remains a local decision. This pendulum, regarding all-day kindergarten, has swung back and forth depending upon the party in office. Since the introduction of the EBM discussed above, the debate over how to fund our schools still continues and is without resolution. Any reader of these financial statements must also be cognizant of the significant economic decline that impacted our country and the State of Ohio, although there are now signs of a slow recovery. Only with the introduction of Federal Stimulus money by the State of Ohio, which was re-directed to help public schools, and based upon significant budgetary cuts in other sectors, has our State been able to maintain some sense of fiscal stability. An additional dilemma is the fact that the worse our economic condition is the more difficult it is to define an appropriate funding formula and solution.

Another result of the fiscal crisis in the State of Ohio is the drop in real estate values which has occurred state wide. Up until the calendar year 2011 tri-annual update appraisal, for Summit County, the School District has bucked the downward trend in property values. However, with the 2011 tri-annual update our local property values dropped by \$77.6 million or 7.9 percent with a loss in collections of \$442,000 per year.

With House Bill 920 (passed in 1976) current levies do not provide inflationary revenue growth as valuation increases, with the exception of the un-voted, inside millage. New construction does represent new value and new revenue, as those properties come onto the tax duplicate. As an example of HB 920, a homeowner with a home valued at \$100,000 with an assessed value of \$35,000 and taxed at 1.0 mill

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would pay \$35.00 annually in taxes. If three years later the home was reappraised and the home's market value increased to \$200,000 with an assessed value of \$70,000 (assuming this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. The impact of HB 920 is negated when the School District falls to what is referred to as the 20 Mill Floor. Based on historical property value increases due to re-appraisal, the Revere Local School District is teetering on the 20 mill floor for residential property classes but not on all classes of property. The School District did initiate an informational campaign on this complex topic to explain the 20 mill floor and related issues to its constituents.

As a School District heavily dependent upon property taxes and related growth trends, we are hampered by a lack of revenue growth yet faced with annual increases in costs that cannot be entirely controlled (health care, utilities, instructional supplies, upkeep of facilities and fuel costs). Accordingly, the School District must return to the voters at some interval to maintain the current level of service as a high academic achieving district. Property taxes and reimbursements make up 90 percent of revenues for governmental activities for the School District in fiscal year 2012. Within the frame work of both short range and long range planning, management has diligently worked to control expenses and reduce costs where possible. These efforts included addressing the constantly increasing staffing related costs through an early retirement severance plan along with the successful negotiation of pay freezes. The School District also collaborated with four other schools to form a health care consortium to control medical costs and implemented an aggressive wellness plan aimed at decreasing medical utilization. With these efforts we will be able to extend the period of time before which a new operating levy is placed on the ballot. The ability to control costs is made increasingly difficult with mandates in gifted education, testing, curriculum changes, rising utility costs, increased special education services required for our students, national health care trends and the unfunded mandates which continue to grow.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March of 1997 and in three subsequent rulings to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Although some recent changes have been made in school funding it is still being asked whether or not the State has met the directives mandated by the Ohio Supreme Court. The number of school systems which must go on the ballot as their sole means of increasing revenue grows each year which is symptomatic of the root problems in school funding in Ohio.

As discussed above the Revere Local School District does not anticipate any meaningful growth in income from State revenue but rather will experience a significant loss in revenue. Under the new biennium budget the State is re-allocating resources based upon each district's property wealth. This will have a significant impact on the Revere Local School District. How the legislature plans to fund educational programs with a revised tax structure under HB 66 and a weakened economy remains a concern especially when federal subsidies expire. This concern is further heightened by the real estate market both regionally and nationally especially in light of the School District's over reliance on property tax values.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the upcoming years. Decisions cannot be made by looking only at the impact to the current years financial forecast but must be projected forward on a long term basis to fully understand the impact and feasibility of current fiscal strategies.

The School District is fortunate that its systems of budgeting and internal controls are well regarded and embraced by the Board of Education, its administrative team and staff. All of the School District's financial abilities and resources will be needed to meet the challenges of the future for the benefit of our students.



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

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***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David Forrest, Treasurer of Revere Local School District, P.O. Box 340, Bath, OH 44210 or [dforrest@revereschools.org](mailto:dforrest@revereschools.org).

**Revere Local School District**

*Statement of Net Assets*

*June 30, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 20,866,509
Cash and Cash Equivalents with Fiscal Agent	11,761
Receivables:	
Accrued Interest	10,359
Intergovernmental	173,625
Property Taxes	30,206,657
Deferred Charges	214,656
Nondepreciable Capital Assets	1,737,052
Depreciable Capital Assets (Net)	<u>14,459,917</u>
<i>Total Assets</i>	<u>67,680,536</u>
<b>Liabilities</b>	
Accounts Payable	388,564
Accrued Wages and Benefits	2,752,357
Intergovernmental Payable	771,427
Accrued Vacation Leave Payable	77,592
Matured Compensated Absences Payable	416,972
Accrued Interest Payable	35,715
Matured Interest Payable	1,761
Matured Bonds Payable	10,000
Claims Payable	3,965
Deferred Revenue	26,160,124
Long Term Liabilities:	
Due Within One Year	1,428,496
Due In More Than One Year	<u>10,623,213</u>
<i>Total Liabilities</i>	<u>42,670,186</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	10,468,358
Restricted For:	
Capital Outlay	3,918,744
Debt Service	783,164
Other Purposes	284,785
Unrestricted	<u>9,555,299</u>
<i>Total Net Assets</i>	<u>\$ 25,010,350</u>

See accompanying notes to the basic financial statements.

**Revere Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 15,032,917	\$ 454,713	\$ 74,421	\$ (14,503,783)
Special	921,337	0	171,335	(750,002)
Vocational	278,892	0	0	(278,892)
Student Intervention Services	1,911,045	0	0	(1,911,045)
Other	797,291	0	43,091	(754,200)
Support Services:				
Pupils	1,687,283	0	224,265	(1,463,018)
Instructional Staff	1,278,173	0	128,608	(1,149,565)
Board of Education	370,130	0	0	(370,130)
Administration	2,246,349	0	62,672	(2,183,677)
Fiscal	1,274,485	0	0	(1,274,485)
Business	87,240	0	0	(87,240)
Operation and Maintenance of Plant	6,437,424	14,695	855	(6,421,874)
Pupil Transportation	2,366,479	0	0	(2,366,479)
Central	564,759	0	0	(564,759)
Operation of Non-Instructional Services:				
Food Service Operations	860,836	700,150	150,389	(10,297)
Community Services	342,214	119,212	325,350	102,348
Extracurricular Activities	1,034,605	445,446	57,978	(410,681)
Debt Service:				
Interest and Fiscal Charges	470,642	0	0	(470,642)
<b>Total</b>	<b>\$ 37,962,101</b>	<b>\$ 1,734,216</b>	<b>\$ 1,238,964</b>	<b>\$ 34,868,421</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	24,749,675
Debt Service	1,231,525
Capital Outlay	1,159,539
Grants and Entitlements Not Restricted to Specific Programs	6,823,097
Investment Earnings	67,770
Miscellaneous	7,683
<b>Total General Revenues</b>	<b>34,039,289</b>
<b>Change in Net Assets</b>	<b>(829,132)</b>
<b>Net Assets Beginning of Year</b>	<b>25,839,482</b>
<b>Net Assets End of Year</b>	<b>\$ 25,010,350</b>

See accompanying notes to the basic financial statements.

**Revere Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2012*

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 15,622,627	\$ 5,045,504	\$ 20,668,131
Cash and Cash Equivalents with Fiscal Agent	0	11,761	11,761
Receivables:			
Accrued Interest	10,359	0	10,359
Interfund	7,548	0	7,548
Intergovernmental	0	173,625	173,625
Property Taxes	<u>27,643,175</u>	<u>2,563,482</u>	<u>30,206,657</u>
<i>Total Assets</i>	<u><u>\$ 43,283,709</u></u>	<u><u>\$ 7,794,372</u></u>	<u><u>\$ 51,078,081</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 312,915	\$ 75,649	\$ 388,564
Accrued Wages and Benefits	2,693,236	59,121	2,752,357
Intergovernmental Payable	741,558	29,869	771,427
Matured Compensated Absences Payable	409,545	7,427	416,972
Matured Interest Payable	0	1,761	1,761
Matured Bonds Payable	0	10,000	10,000
Interfund Payable	0	7,548	7,548
Deferred Revenue	<u>24,846,645</u>	<u>2,477,771</u>	<u>27,324,416</u>
<i>Total Liabilities</i>	<u>29,003,899</u>	<u>2,669,146</u>	<u>31,673,045</u>
<b>Fund Balances</b>			
Restricted	0	5,157,727	5,157,727
Committed	0	58,069	58,069
Assigned	1,011,539	0	1,011,539
Unassigned	<u>13,268,271</u>	<u>(90,570)</u>	<u>13,177,701</u>
<i>Total Fund Balances</i>	<u>14,279,810</u>	<u>5,125,226</u>	<u>19,405,036</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$ 43,283,709</u></u>	<u><u>\$ 7,794,372</u></u>	<u><u>\$ 51,078,081</u></u>

See accompanying notes to the basic financial statements.

**Revere Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012*

<b>Total Governmental Fund Balances</b>		\$ 19,405,036
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,196,969
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 990,667	
Intergovernmental	<u>173,625</u>	1,164,292
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		194,413
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		214,656
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Energy Conservation Improvement Bonds	(3,225,768)	
General Obligation Bonds	(5,060,000)	
Capital Appreciation Bonds	(599,880)	
Bond Premium	(283,387)	
Accretion of Interest - Capital Appreciation Bonds	(481,589)	
Accrued Interest	(35,715)	
Vacation Benefits	(77,592)	
Compensated Absences	<u>(2,401,085)</u>	<u>(12,165,016)</u>
 <i>Net Assets of Governmental Activities</i>		 <u><u>\$ 25,010,350</u></u>

See accompanying notes to the basic financial statements.

**Revere Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 24,584,687	\$ 2,381,576	\$ 26,966,263
Intergovernmental	6,398,984	1,855,754	8,254,738
Investment Income	67,770	1,516	69,286
Tuition and Fees	428,627	0	428,627
Extracurricular Activities	117,976	327,470	445,446
Rentals	116,544	0	116,544
Charges for Services	0	698,553	698,553
Contributions and Donations	20,080	158,398	178,478
Miscellaneous	1,827	5,856	7,683
<i>Total Revenues</i>	<u>31,736,495</u>	<u>5,429,123</u>	<u>37,165,618</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	14,380,572	211,699	14,592,271
Special	920,742	13,508	934,250
Vocational	302,521	0	302,521
Student Intervention Services	1,690,896	228,466	1,919,362
Other	797,291	0	797,291
Support Services:			
Pupils	1,401,883	273,987	1,675,870
Instructional Staff	1,025,348	287,349	1,312,697
Board of Education	370,130	0	370,130
Administration	2,185,696	76,530	2,262,226
Fiscal	1,222,309	46,002	1,268,311
Business	87,240	0	87,240
Operation and Maintenance of Plant	3,014,736	3,309,845	6,324,581
Pupil Transportation	2,157,511	152,050	2,309,561
Central	333,496	0	333,496
Extracurricular Activities	910,494	315,803	1,226,297
Operation of Non-Instructional Services:			
Food Service Operations	0	849,669	849,669
Community Services	0	342,214	342,214
Capital Outlay	100	0	100
Debt Service:			
Principal Retirement	0	1,095,000	1,095,000
Interest and Fiscal Charges	0	476,057	476,057
<i>Total Expenditures</i>	<u>30,800,965</u>	<u>7,678,179</u>	<u>38,479,144</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>935,530</u>	<u>(2,249,056)</u>	<u>(1,313,526)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	250	92,088	92,338
Proceeds of Energy Conservation Improvement Bonds	0	3,225,768	3,225,768
Transfers In	0	80,000	80,000
Transfers Out	(80,000)	0	(80,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(79,750)</u>	<u>3,397,856</u>	<u>3,318,106</u>
<i>Net Change in Fund Balance</i>	855,780	1,148,800	2,004,580
<i>Fund Balances Beginning of Year</i>	<u>13,424,030</u>	<u>3,976,426</u>	<u>17,400,456</u>
<i>Fund Balances End of Year</i>	<u>\$ 14,279,810</u>	<u>\$ 5,125,226</u>	<u>\$ 19,405,036</u>

See accompanying notes to the basic financial statements.

**Revere Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 2,004,580

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	\$ 245,625	
Current Year Depreciation	(1,240,720)	
Adjustments	196,839	(798,256)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (188,179)

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

Property Taxes	174,476	
Intergovernmental	(207,125)	(32,649)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,095,000

Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.

Energy Conservation Improvement Bonds		(3,225,768)
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In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.

Interest Payable	(10,395)	
Amortization of Issuance Costs	21,574	
Premium on Bonds	66,679	77,858

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (40,276)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	362,149	
Vacation Benefits Payable	(11,148)	351,001

Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds. (72,443)

*Change in Net Assets of Governmental Activities* \$ (829,132)

See accompanying notes to the basic financial statements.

**Revere Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual*  
 General Fund  
 For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 27,251,187	\$ 24,668,776	\$ 24,668,776	\$ 0
Intergovernmental	7,068,851	6,398,984	6,398,984	0
Investment Income	64,322	58,227	58,227	0
Tuition and Fees	341,879	309,481	309,481	0
Extracurricular Activities	13,809	12,500	12,500	0
Rentals	122,061	110,494	110,494	0
Miscellaneous	1,960	1,774	1,774	0
<i>Total Revenues</i>	<u>34,864,069</u>	<u>31,560,236</u>	<u>31,560,236</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	14,736,866	14,736,866	14,495,591	241,275
Special	978,658	978,658	955,482	23,176
Vocational	330,125	330,125	323,964	6,161
Student Intervention Services	1,698,552	1,698,552	1,696,113	2,439
Other	975,142	975,142	975,141	1
Support Services:				
Pupils	1,431,798	1,431,798	1,415,771	16,027
Instructional Staff	1,122,019	1,122,019	1,104,328	17,691
Board of Education	537,580	537,580	526,546	11,034
Administration	2,230,259	2,230,259	2,212,807	17,452
Fiscal	1,249,438	1,249,438	1,244,509	4,929
Business	95,268	95,268	93,070	2,198
Operation and Maintenance of Plant	3,211,939	3,211,939	3,177,722	34,217
Pupil Transportation	2,351,218	2,351,218	2,342,854	8,364
Central	338,826	338,826	337,514	1,312
Extracurricular Activities	829,746	829,746	817,673	12,073
Capital Outlay	135	135	135	0
Debt Service:				
Principal Retirement	106,158	106,158	0	106,158
<i>Total Expenditures</i>	<u>32,223,727</u>	<u>32,223,727</u>	<u>31,719,220</u>	<u>504,507</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,640,342</u>	<u>(663,491)</u>	<u>(158,984)</u>	<u>504,507</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	276	250	250	0
Advances In	163,122	147,665	147,664	(1)
Advances Out	(250,000)	(250,000)	(142,548)	107,452
Transfers Out	(85,000)	(85,000)	(80,000)	5,000
<i>Total Other Financing Sources (Uses)</i>	<u>(171,602)</u>	<u>(187,085)</u>	<u>(74,634)</u>	<u>112,451</u>
<i>Net Change in Fund Balance</i>	2,468,740	(850,576)	(233,618)	616,958
<i>Fund Balance Beginning of Year</i>	13,508,390	13,508,390	13,508,390	0
Prior Year Encumbrances Appropriated	1,035,305	1,035,305	1,035,305	0
<i>Fund Balance End of Year</i>	<u>\$ 17,012,435</u>	<u>\$ 13,693,119</u>	<u>\$ 14,310,077</u>	<u>\$ 616,958</u>

See accompanying notes to the basic financial statements.



**Revere Local School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2012*

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	Governmental Activities - Internal Service Fund
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	\$ 198,378
<i>Total Assets</i>	<u>198,378</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	<u>3,965</u>
<i>Total Liabilities</i>	<u>3,965</u>
<b>Net Assets</b>	
Unrestricted	<u>194,413</u>
<i>Total Net Assets</i>	<u><u>\$ 194,413</u></u>

See accompanying notes to the basic financial statements.

**Revere Local School District**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Governmental Activities - Internal Service Fund
<b>Operating Revenue</b>	
Charges for Services	\$ 22,090
<i>Total Operating Revenues</i>	22,090
<b>Operating Expenses</b>	
Purchased Services	15,526
Claims	24,214
Other	22,626
<i>Total Operating Expenses</i>	62,366
<i>Change in Net Assets</i>	(40,276)
<i>Net Assets Beginning of Year</i>	234,689
<i>Net Assets End of Year</i>	\$ 194,413

See accompanying notes to the basic financial statements.

**Revere Local School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 22,090
Cash Paid for Goods and Services	(38,152)
Cash Paid for Claims	(23,788)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>(39,850)</i>
<i>Net Increase (Decrease) in Cash and Investments</i>	<i>(39,850)</i>
<i>Cash and Investments Beginning of Year</i>	<i>238,228</i>
<i>Cash and Investments End of Year</i>	<i>\$ 198,378</i>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>	
Operating Income (Loss)	\$ (40,276)
Adjustments:	
Increase (Decrease) in Liabilities:	
Claims Payable	426
<i>Total Adjustments</i>	<i>426</i>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>\$ (39,850)</i>

See accompanying notes to the basic financial statements.

**Revere Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2012*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 17,131	\$ 113,892
<b>Liabilities</b>		
Undistributed Monies	\$ 0	\$ 36,525
Due to Students	0	77,367
<i>Total Liabilities</i>	0	\$ 113,892
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 17,131	

See accompanying notes to the basic financial statements.

**Revere Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2012*

	Private Purpose Trust
<b>Additions</b>	
Investment Earnings	\$ 18
<i>Total Additions</i>	18
<i>Change in Net Assets</i>	18
<i>Net Assets Beginning of Year</i>	17,113
<i>Net Assets End of Year</i>	\$ 17,131

See accompanying notes to the basic financial statements.

**Revere Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 1 – Description of the School District**

The Revere Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District is located in Summit County and encompasses the Village of Richfield, Richfield Township, and Bath Township. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by State and Federal agencies. The Board controls the School District's four instructional/support facilities that provide services to community members and students.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

The following activities are included within the reporting entity:

*Nonpublic School* - Within the School District boundaries, Old Trail School is operated as a nonpublic school. Current State legislation provides funding to this school. This money is received and disbursed on behalf of the school by the Treasurer of the School District, as directed by the school. The activity of this State money is reflected in a special revenue fund by the School District for financial reporting purposes.

The School District is associated with the Northeastern Ohio Network, the Cuyahoga Valley Career Center and the Ohio Schools Council, which are defined as jointly governed organizations. See Note 16.

The School District participates in another jointly governed organization, the Summit Regional Healthcare Consortium ("SRHCC"). This organization is presented in Note 9D to the basic financial statements.

**Revere Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.

The most significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**Revere Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***B. Fund Accounting***

The School 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.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's only major governmental fund:

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

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. The following is the School District's only proprietary fund type:

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee vision benefits.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are private purpose trust scholarship funds and agency funds. The School District's agency funds account for student advance placement testing and student activities.

***C. Measurement Focus***

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

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures



**Revere Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities. Private-purpose trust funds are reported using the economic resources management focus.

***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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***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 School District, available means expected to be received within thirty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**Revere Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account.

Under the modified accrual basis, 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. Pooled Cash and Investments***

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments". The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the Financial Statements as "Cash and Cash Equivalents with Fiscal Agent."

During fiscal year 2012, investments were limited to repurchase agreements, Federal Farm Credit Bank Note and STAROhio, (the State Treasurer's Investment Pool).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

For presentation on the financial statements, investments of the cash management pool and investments with maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash. Investments with an initial maturity of more than three months are reported as investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$67,770 which includes \$13,379 assigned from other School District funds.

***F. Restricted Assets***

Assets are reported as restricted 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 amounts required by

**Revere Local School District**  
*Notes to the Basic Financial Statements*  
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statute to be set-aside for the purchase of capital improvements. See Note 18 for additional information regarding set asides.

***G. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 20 Years
Buildings and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 Years

***H. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

**Revere Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***I. Accrued Liabilities and Long-term Obligations***

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

In general, 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, claims and judgments and 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 fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

***J. Net Assets***

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

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

***K. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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

**Revere Local School District**  
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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 School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

**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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

***L. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues include charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

***M. Interfund Activity***

Transfers between governmental activities on the government-wide statements are eliminated.

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 financial statements.

***N. 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 2012.

**Revere Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***O. Estimates***

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

***P. Budgetary Data***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

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

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2012.

***Appropriations*** A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The

**Revere Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are included as an assignment of fund balance, for the general fund only, for the intended use of previously unassigned funds.

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

**Note 3 – Accountability**

Fund balances at June 30, 2012 included a fund deficit of \$77,536 in the food service fund, a fund deficit of \$4,125 in the Race to the Top Fund, a fund deficit of \$8,908 in the Education Jobs Fund and a fund deficit of \$1 in the State Fiscal Stabilization Fund.

The deficit in these governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance/net assets on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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4. In order to determine compliance with Ohio law, and to assign that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure.
5. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

**Net Change in Fund Balance**

	General
GAAP Basis	\$ 855,780
Net Adjustment for Revenue Accruals	74,546
Advance In	147,664
Advance Out	(142,548)
Net Adjustment for Expenditure Accruals	(31,429)
Adjustment for Encumbrances	(1,092,980)
Funds Budgeted Elsewhere	(44,651)
Budget Basis	\$ (233,618)

\*\*As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform supplies fund, the public school support fund and the project link fund.

**Note 5 – Deposits and Investments**

State statutes classify monies held by the School 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 School 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.



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Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of School 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 Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all uninsured public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred 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.

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

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matched to a specific obligation or debt of the School 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 Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of uninsured public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's investment in repurchase agreement is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$6,912,428 and the bank balance was \$7,008,432. Additionally, \$11,761 was held by a fiscal agent for a coupon bond.

Of the bank balance, \$7,008,432 was covered by depository insurance.

**Investments**

Investments are reported at fair value. As of June 30, 2012, the School District had the following investments:

Rating by Moody	Entity	Fair Value	Investment Maturities in months			Percentage of Total Investment
			(0-6)	(7-12)	(13-24)	
N/A	Repurchase Agreement	\$13,085,000	\$13,085,000	\$ 0	\$ 0	92.90%
AAAm	STAROhio	104	104	0	0	0.00%
Aaa	FFCB	1,000,000	0	0	1,000,000	7.10%
		<u>\$14,085,104</u>	<u>\$13,085,104</u>	<u>\$ 0</u>	<u>\$ 1,000,000</u>	<u>100.00%</u>

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not

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evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days.

**Credit Risk:** The School District's investments at June 30, 2012 in STAROhio is rated AAAM by Standard & Poor's. The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were rated Aaa by Moody's Investor Services.

**Concentration of Credit Risk:** The School District places no limit on the amount the School District may invest in any one issuer. Investments of the School District are diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity; a specific issue or a specific class of securities, strategies to achieve this are determined and revised periodically.

#### **Note 6 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. 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 revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Summit County. The County Fiscal Officers periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and 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 revenue.

The amount available as an advance at June 30, 2012 was \$2,796,530 in the general fund, \$134,708 in the bond retirement debt service fund, and \$124,628 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$2,880,619 in the general fund, \$159,391 in the bond retirement debt service fund, and \$154,438 in the permanent improvement capital projects fund.

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

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

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 968,712,470	98.33%	\$ 889,601,920	98.03%
Public Utility Personal Property	16,407,030	1.67%	17,834,860	1.97%
Total	\$ 985,119,500	100.00%	\$ 907,436,780	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$57.29		 \$63.31	

**Note 7 - Receivables**

Receivables at June 30, 2012, consisted of taxes, interest, interfund, intergovernmental grants and entitlements. 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. The intergovernmental receivable at June 30 consisted of Other Governmental Funds of \$173,625 related to federal grants.

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**Note 8 – Capital Assets**

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

	Balance 6/30/2011	* Adjustments	Additions	Reductions	Balance 6/30/2012
<b>Governmental Activities</b>					
<i>Capital Assets, not being depreciated:</i>					
Land	\$ 1,900,942	\$ 0	\$ 0	\$ (163,890)	\$ 1,737,052
Total Capital Assets not being depreciated	1,900,942	0	0	(163,890)	1,737,052
<i>Capital Assets, being depreciated:</i>					
Land Improvements	3,254,525	208,238	0	(17,284)	3,445,479
Buildings and Improvements	25,953,480	236,975	0	(369,409)	25,821,046
Furniture and Equipment	2,925,367	1,208,961	95,425	(248,059)	3,981,694
Vehicles	3,194,714	(345,462)	150,200	(118,858)	2,880,594
Total Capital Assets, being depreciated	35,328,086	1,308,712	245,625	(753,610)	36,128,813
Less Accumulated Depreciation:					
Land Improvements	(714,051)	(650,375)	(135,885)	17,284	(1,483,027)
Buildings and Improvements	(14,968,225)	328,403	(613,196)	369,409	(14,883,609)
Furniture and Equipment	(2,047,800)	(1,504,283)	(282,999)	235,657	(3,599,425)
Vehicles	(2,315,548)	714,382	(208,640)	106,971	(1,702,835)
Total Accumulated Depreciation	(20,045,624)	(1,111,873)	(1,240,720)	729,321	(21,668,896)
Total Capital Assets being depreciated,	15,282,462	196,839	(995,095)	(24,289)	14,459,917
Governmental Activities Capital Assets, Net	\$ 17,183,404	\$ 196,839	\$ (995,095)	\$ (188,179)	\$ 16,196,969

\* Several reclassifications and adjustments were made to reflect the School District's new capital asset valuation that was performed during fiscal year 2012. Since the total net effect of these adjustments was immaterial, beginning balances were not restated.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 619,723
Support Services:	
Instructional	55,576
Operation and Maintenance of Plant	113,190
Pupil Transportation	209,144
Food Service	14,059
Central	226,153
Extracurricular Activities	2,875
Total Depreciation	<u>\$ 1,240,720</u>

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**Note 9 – Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. For the 12 month period beginning August 1, 2011, the School District contracted with a private insurance company for commercial property insurance and boiler and machinery coverage (\$83,356,700 blanket combined building and personal property, \$5,000 deductible), for commercial auto coverage (\$1,000,000 combined single limit for bodily injury and property damage with a \$8,000,000 umbrella, \$500 comprehensive/\$500 collision deductible for vehicles, \$500 comprehensive/\$1,000 collision deductible for buses). Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been an increase in insurance coverage from the prior year.

***B. Workers' Compensation***

The School District pays the State Workers' Compensation system a premium based on a rate of \$.7652 per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***C. Employee Vision Benefits***

Vision coverage is provided on a self-insured basis. The School District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

The claims liability of \$3,965 reported in the internal service fund at June 30, 2012, is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

The School District joined the Summit Regional Healthcare Consortium for health and dental insurance as of July 1, 2011. The School District remains self-insured for vision insurance only.

Changes in the fund's claims liability amount in 2012 and 2011 were:

		<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2011	\$	229,632	\$ 23,002	\$ 249,095	\$ 3,539
2012	\$	3,539	\$ 24,214	\$ 23,788	\$ 3,965

***D. Health Insurance***

On July 1, 2010, the School District became a participant in the Summit Regional Healthcare Consortium (“SRHCC”) for the purpose of obtaining benefits at a reduced premium for health and dental care. The

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program for health care is administered by Anthem Blue Cross and Blue Shield. Payments are made to the SRHCC for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal officer of the SRHCC is the Treasurer of the Copley Fairlawn City Schools. The fiscal agent pays Anthem monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

**Note 10 - Pension Plans**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .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 statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$561,018, \$515,363 and \$601,673, respectively; 54 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

***B. State Teachers Retirement System***

Plan Description - The School 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 publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

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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 of 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School 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 employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,911,371 , \$2,031,439 and \$2,036,111, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 are available upon request.

### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, certain members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

## **Note 11 - Postemployment Benefits**

### ***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan 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 Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The



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Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. 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 SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$88,921, \$126,168, and \$257,916, respectively; 54 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$33,301, \$33,165, and \$35,780, respectively; 54 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

***B. State Teachers Retirement System***

Plan Description - The School 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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (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

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employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$147,029, \$156,265, and \$156,624, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**Note 12 – Other Employee Benefits**

***A. Life Insurance***

The School District provides life insurance to employees through the Ohio Schools Council, Anthem, in the amount of \$100,000 for administrators, twice the salary for the treasurer and superintendent capped at \$300,000 and \$30,000 for all classified employees and \$35,000 for teachers.

***B. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees, and administrators who are contracted to work no less than 12 months, earn 10 to 25 days of vacation per year depending upon length of service. Employees with 15 years of service or more may carry over 5 unused vacation days with written approval. Teachers and administrators who work less than 12 months do not earn vacation time.

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 295 days for certificated and classified employees. Upon retirement, School District employees receive one-fourth of total unused sick leave, up to the maximum, based on the number of credited service years.

***C. Special Termination Benefits***

Employees meeting the retirement requirements included in negotiated agreements, and the provisions of the retirement systems, receive a salary incentive when they retire from active service. Those employees eligible to retire received \$10,000 for certified staff and \$7,000 for support staff in the first year of eligibility and \$4,000 for certificated and \$3,000 for support staff in any other year. For the classified employee in the first year of eligibility, \$7,000 for 12 month employees and \$3,500 for 9 month employees.

**Note 13 - Long - Term Obligations**

The changes in the School District's long-term obligations during the year consist of the following:

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	Outstanding 6/30/2011	Additions	Reductions	Outstanding 6/30/2012	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
Energy Conservation Improvement Bonds, Series 2011	\$ 0	\$3,225,768	\$ 0	\$ 3,225,768	\$ 0
2003 Bond Refunding 2.00% - 5.25%	6,155,000	0	1,095,000	5,060,000	1,150,000
2003 Capital Appreciation Bonds	599,880	0	0	599,880	0
Accretion on Capital Appreciation Bonds	409,146	72,443	0	481,589	0
Unamortized Bond Premium	350,066	0	66,679	283,387	0
Total General Obligation Bonds	<u>7,514,092</u>	<u>3,298,211</u>	<u>1,161,679</u>	<u>9,650,624</u>	<u>1,150,000</u>
Compensated Absences	<u>2,763,234</u>	<u>135,441</u>	<u>497,590</u>	<u>2,401,085</u>	<u>278,496</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$10,277,326</u>	<u>\$3,433,652</u>	<u>\$1,659,269</u>	<u>\$12,051,709</u>	<u>\$1,428,496</u>

*2003 General Obligation Bond Refunding*

In 2003, the School District issued \$13,084,880 in bonds for the advance refunding of the remaining callable 1993 school improvement bonds.

The 2003 general obligation bonds include serial and capital appreciation bonds. The additions were \$72,443 which represents the annual accretion of discounted interest. The final amount of the capital appreciation bonds will be \$1,200,000.

General obligation bonds are direct obligations of the School District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the School District.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from various governmental funds, primarily the general and food service funds.

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

Fiscal Year Ending June 30,	General Obligation		Capital Appreciation		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest/Accretion
2013	\$ 1,150,000	\$ 234,025	\$ 0	\$ 0	\$ 1,150,000	\$ 234,025
2014	0	205,275	599,880	600,120	599,880	805,395
2015	1,225,000	173,119	0	0	1,225,000	173,119
2016	1,300,000	106,838	0	0	1,300,000	106,838
2017	1,385,000	36,356	0	0	1,385,000	36,356
	<u>\$ 5,060,000</u>	<u>\$ 755,613</u>	<u>\$ 599,880</u>	<u>\$ 600,120</u>	<u>\$ 5,659,880</u>	<u>\$ 1,355,733</u>

*2011 Energy Conservation Improvement Bonds*

In fiscal year 2012, the School District issued \$3,225,768 in federally taxable, Qualified School Construction Bonds for the purpose of energy conservation improvements to district buildings. The bonds shall be issued as all Current Interest Sinking Fund Bonds and shall mature in the principal amount on December 1, 2026 and bear an interest rate of 5.14%. The bonds shall be subject to Mandatory Sinking Fund Requirements each year on December 1, 2012 through 2025 in the amount of \$215,051.

The Bonds maturing on and after December 1, 2022 are subject to prior redemption by and at the sole option of the School District, in whole or in part, on or after December 1, 2021, at a redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date.

The Bonds shall be subject to extraordinary optional redemption, by and at the sole option of the School District, in whole or in part on any date at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date, in the event that the direct Payments cease or are reduced.

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

Fiscal Year Ending June 30,	2011 QSCB Bond	
	Principal	Interest
2013	\$ 0	\$ 165,804
2014	0	165,804
2015	0	165,804
2016	0	165,804
2017	0	165,804
2018-2022	0	829,022
2023-2027	<u>3,225,768</u>	<u>746,123</u>
	<u>\$3,225,768</u>	<u>\$2,404,165</u>

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**Note 14 – Operating Lease**

The School District (the “Lessee”) has entered into an operating lease for a five year period commencing on February 15, 2012. The lease is with MT Business Technologies (the “Lessor”) for 18 copiers. Current year lease payments were \$58,358. The cost of the copiers should be recognized on the straight-line basis over the term of the lease because no economic justification can be offered for the lease payments. The lease term will extend automatically for a successive 12 month term unless prior written notification is provided 90 days before the termination date.

**Note 15 - Interfund**

***A. Interfund Transfers***

Transfers made during fiscal year 2012 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$80,000
Nonmajor Governmental Funds	80,000	0
Total	\$ 80,000	\$ 80,000

These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

***Interfund Receivable/Payable***

Interfund receivable/payables at June 30, 2012 consisted of the following:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 7,548	\$ 0
Nonmajor Governmental Funds	0	7,548
Total	\$ 7,548	\$ 7,548

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2012, all interfund loans outstanding are anticipated to be repaid in fiscal year 2013.

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**Note 16 - Jointly Governed Organizations**

***A. Northeastern Ohio Network***

The Northeastern Ohio Network (NEOnet) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEOnet based on a per pupil charge dependent upon the software package utilized. The NEOnet assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEOnet is governed by a board of directors chosen from the general membership of the NEOnet assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2012, the School District paid \$89,295 to NEOnet for basic service charges.

***B. Cuyahoga Valley Career Center (Career Center)***

The Cuyahoga Valley Career Center (Career Center), a joint vocational school, is a jointly governed organization operated under a nine member Board of Directors, consisting of one representative from each participating school district. The Board controls the financial activity of the Career Center. The Career Center receives no direct funding from the member school districts. The continued existence of the Career Center is not dependent on the School District's continued participation and no equity interest exists. Financial information can be obtained by writing to the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

***C. Ohio Schools Council (Council)***

The Ohio Schools Council (Council) is a jointly governed organization among 89 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. The Council sponsors an insurance purchasing plan in which the School District participates. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting Ohio Schools Council, Rockside Square, Building 2, 6133 Rockside Road, Independence, Ohio 44131.

**Note 17 – Contingencies**

***A. Review of Statewide Attendance Data***

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

**Revere Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**B. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**C. Litigation**

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

**Note 18 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Improvement Reserve
Set-Aside Restricted Balance as of June 30, 2011	\$ 0
Current Year Set-Aside Requirement	482,432
Current Year Offsets	(1,338,326)
Qualifying disbursements	(558,779)
Total	\$ (1,414,673)
Balance Carried Forward to Fiscal Year 2013	\$ 0
Set-Aside Reserve Balance June 30, 2012	\$ 0

For the capital improvement reserve, qualifying expenditures and current year offsets exceeding the set aside requirement may not be carried forward to the next fiscal year.

**Note 19 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

**Revere Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:			
Debt Service	\$ 0	\$ 761,391	\$ 761,391
Capital Outlay	0	4,179,862	4,179,862
Special Education	0	30,171	30,171
Other Purposes	0	186,303	186,303
Total Restricted	<u>0</u>	<u>5,157,727</u>	<u>5,157,727</u>
Committed to:			
Other Purposes	0	58,069	58,069
Total Committed	<u>0</u>	<u>58,069</u>	<u>58,069</u>
Assigned for:			
Encumbrances:			
Instruction	297,249	0	297,249
Support Services	496,418	0	496,418
Capital Outlay	35	0	35
Extracurricular	12,381	0	12,381
Other Purposes	205,456	0	205,456
Total Assigned	<u>1,011,539</u>	<u>0</u>	<u>1,011,539</u>
Unassigned (Deficit)	<u>13,268,271</u>	<u>(90,570)</u>	<u>13,177,701</u>
Total Fund Balance (Deficit)	<u>\$ 14,279,810</u>	<u>\$ 5,125,226</u>	<u>\$ 19,405,036</u>



**REVERE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

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

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Grant Year</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2011	84.027	\$ 11,767		\$ 47,716	
	2012	84.027	530,897		499,474	
	2012	84.027	25,000		24,700	
ARRA - Special Education - Grants to States	2011	84.391	92,911		110,794	
Total Special Education Cluster			<u>660,575</u>		<u>682,684</u>	
Title I Grants to Local Educational Agencies	2012	84.010	130,973		128,495	
ARRA - Race-to-the-Top Incentive Grants	2011	84.395	1,776		2,019	
	2012	84.395	10,747		14,875	
Total ARRA - Race-to-the-Top Incentive Grants			<u>12,523</u>		<u>16,894</u>	
Improving Teacher Quality State Grants	2011	84.367	3,912		7,129	
	2012	84.367	53,729		48,658	
Total Improving Teacher Quality State Grants			<u>57,641</u>		<u>55,787</u>	
Educational Job Grant	2012	84.410	62,405		56,555	
Immigrant, Title III	2012	84.365	2,254		2,254	
<b>Total U.S. Department of Education</b>			<b><u>926,371</u></b>		<b><u>942,669</u></b>	
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2012	10.555		\$ 41,737		\$ 41,737
Cash Assistance:						
National School Lunch Program	2012	10.555	108,200		108,200	
<b>Total U.S. Department of Agriculture</b>			<b><u>108,200</u></b>	<b><u>41,737</u></b>	<b><u>108,200</u></b>	<b><u>41,737</u></b>
<b>Totals</b>			<b><u>\$ 1,034,571</u></b>	<b><u>\$ 41,737</u></b>	<b><u>\$ 1,050,869</u></b>	<b><u>\$ 41,737</u></b>

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

**REVERE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD 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 PROGRAM**

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.



# Dave Yost • Auditor of State

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

Revere Local School District  
Summit County  
3496 Everett Road  
Richfield, Ohio 44286

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Revere Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 2, 2012.

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

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

**Dave Yost**  
Auditor of State

November 2, 2012



# Dave Yost • Auditor of State

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

Revere Local School District  
Summit County  
3496 Everett Road  
Richfield Ohio 44286

To the Board of Education:

### Compliance

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

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

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

### Internal Control Over Compliance

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

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

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

However we noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 2, 2012.

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



**Dave Yost**  
Auditor of State

November 2, 2012

**REVERE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<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?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education – Grant to State CFDA# 84.027 & 84.391
<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?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**REVERE LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	<p><b>2 C.F.R. Part 225, Appendix B (8)(h)</b> provides, in part, salaries and wages will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.</p> <p>The District had eight salaried employees who worked solely on the Special Education program and appeared to hold positions consistent with the objectives of the program. However, the employees did not complete semi-annual certifications indicating the employees worked solely on the program; furthermore, we also noted personnel activity reports or equivalent documentation were not maintained for these employees. We are therefore questioning \$348,995 in salaries and fringe benefits for the eight salaried employees mentioned above.</p>	Yes	Finding No Longer Valid.





# Dave Yost • Auditor of State

REVERE LOCAL SCHOOL DISTRICT

SUMMIT 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  
NOVEMBER 27, 2012