

**RIVIERA INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2012*

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**RIVIERA INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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*CERTIFICATE OF BOARD*

Riviera Independent School District  
Name of School District

Kleberg  
County

137-903  
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's reports of the above named school district were reviewed and \_\_\_approved  
- \_\_\_disapproved for the year ended August 31, 2012, at a meeting of the board of school trustees of such school district on the  
\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

If the auditor's reports were checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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**Independent Auditor's Report**

UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER  
SUPPLEMENTARY INFORMATION INCLUDING THE  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Trustees  
Riviera Independent School District  
203 Seahawk Drive  
Riviera, Texas 78379

Members of the Board of Trustees:

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riviera Independent School District (the "District") as of and for the year ended August 31, 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 administrators. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with accounting standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provide a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Riviera Independent School District as of August 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof (and the respective budgetary comparison for the general fund) for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion in it.

My audit was made for the purpose of forming an opinion on the basic financial statements. In addition, the combining and individual nonmajor fund financial statements and the TEA required schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 10, 2013, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Cameron L. Gulley  
Certified Public Accountant

January 10, 2013

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# Riviera I. S. D.

203 Seahawk Drive Riviera, TX 78379-3500  
Phone 361-296-3101 Fax 361-296-3108

Kaufer High School  
361-296-3607

De La Paz Middle School  
361-296-3610

Nanny Elementary  
361-296-3603

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Riviera Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2012. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which begin on page 9.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 11) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### Reporting the District as a Whole

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

The analysis of the District's overall financial condition and operations begins on page 4. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall

health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Assets and the Statement of Activities, we divide the District into one activity:

Governmental activities - Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these services.

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

### ***Fund Financial Statements***

The fund financial statements begin on page 11 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds - Most of the District's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds - the District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities - such as the District's self-insurance program.

## **The District as Trustee**

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

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statements of Fiduciary Net Assets on page 19. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analyses of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental activities.

Total net assets of the District's governmental activities increased from \$8,246,491 to \$8,632,345. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from \$1,800,620 to \$2,386,276 at August 31, 2012 due to current year operations. Current assets (which consists primarily of cash and receivables from the state) increased by \$917,819 primarily as a result of increases in cash of approximately \$1.7 million offset by decreases in state receivables of \$775,000. Capital assets decreased by \$223,412 as a result of current year depreciation expense in excess of asset additions. Long-term liabilities decreased by \$22,217 due to the principal retired on an outstanding capital lease liability during the year. Other liabilities increased by \$330,770 due to an increase in deferred revenue by approximately \$380,000 from state foundation revenue overpayments in the current year less decreases in ending accounts payable.

Table I Riviera Independent School District Net Assets			
	Governmental Activities 2012	Governmental Activities 2011	Variance Increase/ (Decrease)
Current and other assets	\$ 3,838,565	\$ 2,920,746	\$ 917,819
Capital assets	5,513,698	5,737,110	(223,412)
Total assets	9,352,263	8,659,856	694,407
Long-term liabilities	191,403	213,620	(22,217)
Other liabilities	528,515	197,745	330,770
Total liabilities	719,918	411,365	308,553
Net assets:			
Invested in capital assets net of related debt	5,312,765	5,512,854	(200,089)
Restricted for capital projects and food service	933,304	933,017	287
Unrestricted	2,386,276	1,800,620	585,656
Total net assets	\$ 8,632,345	\$ 8,246,491	\$ 385,854

Table II Riviera Independent School District Changes in Net Assets			
	Governmental Activities 2012	Governmental Activities 2011	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 383,784	\$ 387,484	\$ (3,700)
Operating grants and contributions	778,295	946,981	(168,686)
General Revenues:			
Maintenance and operations taxes	2,937,377	2,936,467	910
State aid - formula grants	1,776,453	1,888,722	(112,269)
Investment earnings	2,865	3,475	(610)
Miscellaneous	0	3,802	(3,802)
Total Revenues	5,878,774	6,166,931	(288,157)

Table II - Continued  
Riviera Independent School District  
Changes in Net Assets

	Governmental Activities 2012	Governmental Activities 2011	Variance Favorable/ (Unfavorable)
Expenses:			
Instruction, curriculum and media services	2,877,737	3,326,686	449,149
Instructional and school leadership	281,841	314,642	32,801
Student support services	389,987	383,301	(6,686)
Child nutrition	306,454	339,052	32,598
Extracurricular activities	344,392	398,478	54,086
General administration and intergovernmental charges	428,863	514,479	85,616
Plant maintenance, security & data processing	853,660	942,120	88,460
Debt service	9,986	11,137	1,151
Total Expenses	5,492,920	6,230,095	737,175
Increase in Net Assets	385,854	(63,164)	449,018
Net Assets - beginning of year	8,246,491	8,343,274	(96,783)
Prior period adjustment	0	(33,619)	33,619
Net Assets - end of year	\$ 8,632,345	\$ 8,246,491	\$ 385,854

The District's total revenues decreased by \$288,157. Operating grants and contributions decreased by \$168,686 due to current year grant activity (particularly ARRA stimulus grants) which was significantly less than in the previous year. Property tax revenues were down by essentially the same as last year. State aid revenues were down by nearly 6% due to a state-wide funding cut implemented during the year.

Total expenses of the District decreased by \$737,175 from the previous year. Decreases in instructional, school leadership, extracurricular, general administration, and plant maintenance and operations expenses were due primarily to payroll cuts for the year. Payroll cost cuts for those departmental categories exceeded \$550,000. In addition to payroll expenses, extracurricular expenses were lower due to athletic supply purchases which were less than last year. General administration expenses were down due to lower legal fees for the year plus payroll cost cuts. Utilities were down by approximately \$43,000 in addition to payroll in plant maintenance and operations. The District focused on getting the food service program more efficient during the year, and the result was lower food costs by approximately \$27,000.

### THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$3,143,448, an increase of \$567,557 from last year's fund balance of \$2,575,891. The primary reasons parallel the items described in the previous section plus depreciation and capital asset (and related long-term debt) activity not recorded on the fund-level financial statements.

Over the course of the year, the Board of Trustees revised the District's budget only a few times. However, none of the budget amendments increased the overall net expenditures of the budget but were only transfers from one functional category to another.

The District's General Fund balance of \$3,143,161 reported on pages 13 and 15 differs from the General Fund's budgetary fund balance of \$2,579,177 reported in the budgetary comparison schedule on page 15. This is principally due to actual revenues (particularly state aid revenues) being significantly more than budgeted and overall expenditures (primarily instructional, guidance counseling and facilities maintenance expenditures) being less than budgeted.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2012, the District had \$12,016,916 invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents an increase of \$92,732 from last fiscal year. The following additions were made during the year:

Campus fire alarm system (completed)	\$ 46,544
New HVAC units (7)	46,188
Total Asset Additions	\$ 92,732

***Debt***

At year-end, the District had one outstanding long-term liability in the form of a capital lease (with a balance of \$191,403) that was obtained in order to finance the purchase campus improvements in the form of energy savings system. During the year, the District made one annual lease payment totaling \$33,309 (\$22,217 in principal and \$11,092 in interest) during the year. Annual payments due until 2019 will approximate \$33,309 until fully retired.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The District should remain financially strong during the 2012-13 fiscal year. Budgeted revenues should be approximate what was earned in 2011-12 and expenditures should be consistent with what they were in 2011-12. The tax rate adopted by the board of trustees was set at \$1.04 (the same rate that was adopted for the 2011-12 fiscal year). The District paid off the capital lease liability discussed in the previous section during the 2012-13 year which should generate future savings from interest expense in the coming years. The District anticipates that its fund balance at the end of the 2012-13 fiscal year will be at least \$3,000,000.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District’s business office at: Riviera Independent School District, 203 Seahawk Drive, Riviera, Texas 78379; (361) 296-3101.

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*BASIC FINANCIAL STATEMENTS*

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RIVIERA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,133,948
1120 Current Investments	1,557,741
1220 Property Taxes Receivable (Delinquent)	177,518
1230 Allowance for Uncollectible Taxes	(112,385)
1240 Due from Other Governments	59,815
1490 Other Current Assets	21,928
Capital Assets:	
1510 Land	405,607
1520 Buildings, Net	4,281,023
1530 Furniture and Equipment, Net	827,068
1000 Total Assets	9,352,263
<b>LIABILITIES</b>	
2110 Accounts Payable	24,781
2140 Interest Payable	9,530
2150 Payroll Deductions & Withholdings	5,619
2160 Accrued Wages Payable	106,547
2200 Accrued Expenses	2,239
2300 Deferred Revenues	379,799
Noncurrent Liabilities	
2501 Due Within One Year	23,371
2502 Due in More Than One Year	168,032
2000 Total Liabilities	719,918
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	5,312,765
3820 Restricted for Federal and State Programs	287
3860 Restricted for Capital Projects	933,017
3900 Unrestricted Net Assets	2,386,276
3000 Total Net Assets	\$ 8,632,345

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

RIVIERA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 2,799,195	\$ 259,846	\$ 464,341	\$ (2,075,008)
12 Instructional Resources and Media Services	67,010	-	1,187	(65,823)
13 Curriculum and Staff Development	11,532	-	-	(11,532)
21 Instructional Leadership	18,973	-	417	(18,556)
23 School Leadership	262,868	-	14,238	(248,630)
31 Guidance, Counseling and Evaluation Services	114,001	-	51,608	(62,393)
33 Health Services	62,267	-	3,395	(58,872)
34 Student (Pupil) Transportation	213,719	-	27,131	(186,588)
35 Food Services	306,454	95,315	183,207	(27,932)
36 Extracurricular Activities	344,392	23,523	7,448	(313,421)
41 General Administration	364,893	-	14,644	(350,249)
51 Facilities Maintenance and Operations	770,933	5,100	10,679	(755,154)
52 Security and Monitoring Services	990	-	-	(990)
53 Data Processing Services	81,737	-	-	(81,737)
72 Debt Service - Interest on Long Term Debt	9,986	-	-	(9,986)
99 Other Intergovernmental Charges	63,970	-	-	(63,970)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 5,492,920	\$ 383,784	\$ 778,295	(4,330,841)
Data Control Codes	General Revenues:			
MT	Property Taxes, Levied for General Purposes			2,937,377
SF	State Aid - Formula Grants			1,776,453
IE	Investment Earnings			2,865
TR	Total General Revenues			4,716,695
CN	Change in Net Assets			385,854
NB	Net Assets--Beginning			8,246,491
NE	Net Assets--Ending			\$ 8,632,345

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

RIVIERA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 2,024,009	\$ 5,615	\$ 2,029,624
1120	Investments - Current	1,536,617	-	1,536,617
1220	Property Taxes - Delinquent	177,518	-	177,518
1230	Allowance for Uncollectible Taxes (Credit)	(112,385)	-	(112,385)
1240	Receivables from Other Governments	51,138	8,677	59,815
1490	Other Current Assets	21,928	-	21,928
1000	<b>Total Assets</b>	<u>\$ 3,698,825</u>	<u>\$ 14,292</u>	<u>\$ 3,713,117</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110	Accounts Payable	\$ 7,485	\$ 2,847	\$ 10,332
2150	Payroll Deductions and Withholdings Payable	5,619	-	5,619
2160	Accrued Wages Payable	95,917	10,630	106,547
2200	Accrued Expenditures	1,711	528	2,239
2300	Deferred Revenues	444,932	-	444,932
2000	<b>Total Liabilities</b>	<u>555,664</u>	<u>14,005</u>	<u>569,669</u>
Fund Balances:				
Nonspendable Fund Balance:				
3430	Prepaid Items	21,928	-	21,928
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	287	287
Committed Fund Balance:				
3510	Construction	933,017	-	933,017
3600	Unassigned Fund Balance	2,188,216	-	2,188,216
3000	<b>Total Fund Balances</b>	<u>3,143,161</u>	<u>287</u>	<u>3,143,448</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,698,825</u>	<u>\$ 14,292</u>	<u>\$ 3,713,117</u>

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

RIVIERA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012

<b>Total Fund Balances - Governmental Funds</b>	\$	3,143,448
<b>1</b> The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase(decrease) net assets.		110,999
<b>2</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$11,924,184 and the accumulated depreciation was \$6,187,074. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		5,523,490
<b>3</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2012 capital outlays and debt principal payments is to increase (decrease) net assets.		114,949
<b>4</b> The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(316,144)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		55,603
<b>19 Net Assets of Governmental Activities</b>	\$	8,632,345

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

RIVIERA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 3,230,159	\$ 95,315	\$ 3,325,474
5800	State Program Revenues	1,979,497	35,174	2,014,671
5900	Federal Program Revenues	-	535,977	535,977
5020	Total Revenues	<u>5,209,656</u>	<u>666,466</u>	<u>5,876,122</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	2,351,836	322,476	2,674,312
0012	Instructional Resources and Media Services	64,312	-	64,312
0013	Curriculum and Instructional Staff Development	9,914	-	9,914
0021	Instructional Leadership	17,318	-	17,318
0023	School Leadership	255,308	-	255,308
0031	Guidance, Counseling and Evaluation Services	65,389	46,380	111,769
0033	Health Services	60,436	-	60,436
0034	Student (Pupil) Transportation	165,914	19,088	185,002
0035	Food Services	-	278,235	278,235
0036	Extracurricular Activities	287,673	-	287,673
0041	General Administration	359,438	-	359,438
0051	Facilities Maintenance and Operations	825,248	-	825,248
0052	Security and Monitoring Services	990	-	990
0053	Data Processing Services	81,331	-	81,331
<b>Debt Service:</b>				
0071	Principal on Long Term Debt	22,217	-	22,217
0072	Interest on Long Term Debt	11,092	-	11,092
<b>Intergovernmental:</b>				
0099	Other Intergovernmental Charges	63,970	-	63,970
6030	Total Expenditures	<u>4,642,386</u>	<u>666,179</u>	<u>5,308,565</u>
1200	Net Change in Fund Balances	567,270	287	567,557
0100	Fund Balance - September 1 (Beginning)	<u>2,575,891</u>	<u>-</u>	<u>2,575,891</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 3,143,161</u>	<u>\$ 287</u>	<u>\$ 3,143,448</u>

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

RIVIERA INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2012

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	567,557
 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.		14,619
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2012 capital outlays and debt principal payments is to increase (decrease) net assets.		114,949
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(316,144)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		4,873
 <b>Change in Net Assets of Governmental Activities</b>	<u>\$</u>	<u>385,854</u>

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

RIVIERA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 3,444,121	\$ 3,444,121	\$ 3,230,159	\$ (213,962)
5800	State Program Revenues	1,618,000	1,618,000	1,979,497	361,497
5020	Total Revenues	5,062,121	5,062,121	5,209,656	147,535
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	2,503,935	2,487,935	2,351,836	136,099
0012	Instructional Resources and Media Services	72,506	72,506	64,312	8,194
0013	Curriculum and Instructional Staff Development	39,775	39,775	9,914	29,861
0021	Instructional Leadership	35,957	35,957	17,318	18,639
0023	School Leadership	264,926	264,926	255,308	9,618
0031	Guidance, Counseling and Evaluation Services	122,488	122,488	65,389	57,099
0033	Health Services	61,827	61,827	60,436	1,391
0034	Student (Pupil) Transportation	185,666	185,666	165,914	19,752
0036	Extracurricular Activities	303,735	303,735	287,673	16,062
0041	General Administration	342,428	367,428	359,438	7,990
0051	Facilities Maintenance and Operations	903,083	903,083	825,248	77,835
0052	Security and Monitoring Services	1,200	1,200	990	210
0053	Data Processing Services	63,000	84,000	81,331	2,669
Debt Service:					
0071	Principal on Long Term Debt	33,309	22,217	22,217	-
0072	Interest on Long Term Debt	-	11,092	11,092	-
Intergovernmental:					
0099	Other Intergovernmental Charges	100,000	70,000	63,970	6,030
6030	Total Expenditures	5,033,835	5,033,835	4,642,386	391,449
1100	Excess (Deficiency) of Revenues Over Expenditures	28,286	28,286	567,270	538,984
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	(25,000)	(25,000)	-	25,000
7080	Total Other Financing Sources (Uses)	(25,000)	(25,000)	-	25,000
1200	Net Change in Fund Balances	3,286	3,286	567,270	563,984
0100	Fund Balance - September 1 (Beginning)	2,575,891	2,575,891	2,575,891	-
3000	Fund Balance - August 31 (Ending)	\$ 2,579,177	\$ 2,579,177	\$ 3,143,161	\$ 563,984

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

RIVIERA INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 AUGUST 31,2012

	Governmental Activities -
	Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 104,324
Investments - Current	<u>21,124</u>
Total Assets	125,448
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	<u>14,449</u>
Total Liabilities	14,449
<b>NET ASSETS</b>	
Unrestricted Net Assets	<u>110,999</u>
Total Net Assets	<u><u>\$ 110,999</u></u>

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



RIVIERA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

	Governmental Activities -
	Internal Service Fund
<b>OPERATING REVENUES:</b>	
Local and Intermediate Sources	\$ 35,595
Total Operating Revenues	<u>35,595</u>
<b>OPERATING EXPENSES:</b>	
Other Operating Costs	<u>20,999</u>
Total Operating Expenses	<u>20,999</u>
Operating Income	<u>14,596</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Earnings from Temporary Deposits & Investments	<u>23</u>
Total Nonoperating Revenues (Expenses)	<u>23</u>
Change in Net Assets	14,619
Total Net Assets - September 1 (Beginning)	<u>96,380</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 110,999</u></u>

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

RIVIERA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 35,595
Cash Payments for Insurance Claims	(22,154)
Net Cash Provided by Operating Activities	13,441
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	(23)
Interest and Dividends on Investments	23
Net Cash Provided by Investing Activities	-
Net Increase in Cash and Cash Equivalents	13,441
Cash and Cash Equivalents at Beginning of Year	90,883
Cash and Cash Equivalents at End of Year	\$ 104,324
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 14,596
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(1,155)
Net Cash Provided by Operating Activities	\$ 13,441
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents on Balance Sheet	\$ 104,324
Pooled Cash and Cash Equivalents on Balance Sheet	-
Total Cash and Cash Equivalents	\$ 104,324

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

RIVIERA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31,2012

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	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 49,944
Total Assets	<u>\$ 49,944</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 3,800
Due to Student Groups	46,144
Total Liabilities	<u>\$ 49,944</u>

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

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**RIVIERA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*AT AND FOR THE YEAR ENDED AUGUST 31, 2012*

I. Summary of significant accounting policies

Riviera Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting entity

The Board of School Trustees (the "Board"), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Riviera Independent School District (the "District"). Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. Government-wide and fund financial statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants

and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

#### D. Fund accounting

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

2. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

3. **Internal Service Funds** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's internal service fund is the Worker's Comp fund.

Fiduciary Funds:

4. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the "Riviera Student Activity Fund", the "Brookshire Scholarship Fund" and the "Small School Academic Competition Fund."

E. Other accounting policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. The District's policy does not permit employees to accumulate unused vacation and sick pay benefits. Therefore, there is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings	20-70
Building Improvements	20-70
Vehicles	10
Equipment	3-15
Technology Equipment	5-15

6. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

7. In accordance with GASB 54 governmental fund balances are characterized into the following categories:

*Non-spendable* fund balances include amounts that are not in spendable form (i.e. inventory or prepaid items) or amounts that are required to be maintained intact legally or contractually (i.e. principal in an endowment fund)

*Restricted* fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

*Committed* fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

*Assigned* fund balances are intended to be used by the government 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.

*Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

District Policies Concerning Fund Balances are as follows:

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees.

Fund Balance of the District may be committed for a specific source by formal action of the Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Board of Trustees.

When it is appropriate for fund balance to be assigned, only the Board of Trustees has the authority to assign fund balance by formal action by the board.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

At August 31, 2012, the District's general fund balances were nonspendable, restricted, committed or assigned as follows:

Non-spendable fund balance	\$ 21,928.
Committed for future construction	\$933,017.

8. The Data Control Codes refer to the account code structure prescribed by TEA in the ***Financial Accountability System Resource Guide***. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

## II. Stewardship, compliance, and accountability

### A. Budgetary data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibits J4 and J5 (if applicable).



The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. There were no appropriated or nonappropriated budget special revenue funds at the end of the current fiscal year.

B. Excess of expenditures over appropriations by more than \$2,500

None.

C. Deficit fund equity

None.

### III. Detailed notes on all funds

A. Deposits and investments

#### District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign currency.

#### District Policies and Legal and Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2012, the District had the following investments.

Investment Type	Investment Maturities (in years)				
	Fair Value	Less than 1 Year	1-5	6-10	More Than 10
Money Market Accounts	\$ 256,724	\$ 256,724			
Investment Pools	1,301,017	1,301,017			
<b>Total</b>	<b>\$1,557,741</b>	<b>\$1,557,741</b>			

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in certificates of deposit or publicly funded investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2012, the District's investments in certificates of deposit and investment pools were rated A1 by Standard and Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the even of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This included securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risk to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to zero.

B. Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. Delinquent taxes receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Interfund balances and transfers

Interfund balances at August 31, 2012 consisted of the following individual fund balances:

None.

Interfund transfers for the year ended August 31, 2012 consisted of the following individual amounts:

None.

E. Disaggregation of receivables and payables

Receivables at August 31, 2012 were as follows:

	Property Taxes	Other Government	Total Receivables
Governmental Activities:			
General Fund	\$ 177,518	\$ 51,138	\$ 228,656
Nonmajor Governmental Funds		8,677	8,677
Total Governmental Activities	<u>\$ 177,518</u>	<u>\$ 59,815</u>	<u>\$ 237,333</u>

Payables at August 31, 2012 were as follows:

	Accounts	Salaries and Benefits	Total Payables
Governmental Activities:			
General Fund	\$ 7,485	\$ 103,247	\$ 110,732
Nonmajor Governmental Funds		11,158	11,158
Total Governmental Activities	<u>\$ 7,485</u>	<u>\$ 114,405</u>	<u>\$ 121,890</u>
Proprietary Activities:			
Internal Service Fund	\$ 14,449		\$ 14,449
Total Proprietary Activities	<u>\$ 14,449</u>		<u>\$ 14,449</u>

F. Capital asset activity

Capital asset activity for the District for the year ended August 31, 2012, was as follows:

	Balance 8/31/11	Additions	Deletions	Balance 8/31/12
Governmental activities:				
Land	\$ 405,607			\$ 405,607
Buildings and improvements	9,359,146			9,359,146
Furniture and equipment	2,159,431	\$ 92,732		2,252,163
Totals	<u>11,924,184</u>	<u>92,732</u>		<u>12,016,916</u>
Less accum depreciation for:				
Buildings and improvements	4,905,343	172,780		5,078,123
Furniture and equipment	1,281,731	143,364		1,425,095
Total accum depreciation	<u>6,187,074</u>	<u>316,144</u>		<u>6,503,218</u>
Governmental activities capital assets, net	<u>\$ 5,737,110</u>	<u>\$ (223,412)</u>		<u>\$ 5,</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Function 11 - instruction	\$ 140,617
Function 12 - instructional resources	2,698
Function 13 - curriculum and instructional staff development	1,618
Function 21 - instructional leadership	1,655
Function 23 - school leadership	7,560
Function 31 - guidance, counseling and evaluation services	2,232
Function 33 - health services	1,831
Function 34 - student (pupil) transportation	28,717
Function 35 - food service	28,219
Function 36 - Extracurricular activities	56,719
Function 41 - general administration	5,455
Function 51 - plant maintenance and operations	38,417
Function 53 - data processing services	406
Total depreciation expense - governmental activities	<u><u>\$ 316,144</u></u>

G. Loans payable

N/A.

H. Bonds payable

N/A.

I. Commitments under operating leases

N/A.

J. Debt service requirements - bonds and capital leases

Capital Leases

The Public Property Finance Act gives the District authority to enter into capital leases for the acquisition of personal property. Current principal and interest requirements (imputed interest rate of 5.192%) are recorded in the applicable fund. Commitments under capitalized lease agreements for facilities and equipment provide minimum future rental payments as of August 31, 2012 as follows:

Year Ending August 31,	Amount
2013	\$ 33,309
2014	33,309
2015	33,309
2016	33,309
2017	33,309
2018-19	66,618
Less: incremental borrowing rate of interest	(41,760)
Present value of future lease payments	<u>\$191,403</u>

K. Accumulated unpaid vacation and sick leave benefits

N/A.

L. Defined benefit pension plan

*Plan Description.* The District contributes to the Teacher Retirements System of Texas (the “TRS”), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sect. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature pursuant to the following state fund policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member’s annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Contribution rates and contributions for fiscal years 2012-10 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state’s and/or member’s contribution and on the portion of the employees’ salaries that exceeded the statutory minimum. On-behalf payments by the State have been recognized as equal revenues and expenditures by the District, in the amounts of \$163,808, \$193,295 and \$221,993 (net of District statutory minimum and federal grant contributions of \$22,194, \$33,577 and \$18,733 for each respective year) for the years ended August 31, 2012, 2011 and 2010, respectively.

Contribution Rates and Contribution Amounts					
Year	Member		State		Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2012	6.4%	\$ 198,402	6.000%	\$ 186,002	\$ 10,130
2011	6.4%	\$ 218,540	6.644%	\$ 226,872	\$ 14,575
2010	6.4%	\$ 231,886	6.644%	\$ 240,726	\$ 16,625

M. Health care coverage

During the year ended August 31, 2012, employees of the District were covered by a health insurance plan (the “Plan”). The District contributed premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. Latest financial statements for TRS - Care are available for the year ended August 31, 2012, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

N. Self-insurance coverage

Beginning September 1, 1992, the District established a self-insurance plan for workers’ compensation benefits as authorized by Section 504.011 of the Labor Code. The District participates in this plan (Texas Public Schools Workers’ Compensation Project self-funded workers’ compensation program) along with other participating entities. The District contributes annual amounts determined by School Comp. As claims arise, they are submitted to and paid by School Comp on behalf of the District under terms of a contractual agreement. According to state statute, the District is protected against unanticipated catastrophic claims an aggregate loss by coverage carried through a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code.

Coverage was in effect for specific occurrences exceeding \$225,000 and aggregate retention at \$2,000,000.

The costs associated with this self-insurance plan are reported as interfund transactions to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General Fund. The liabilities of the plan include incurred but not reported claims. These liabilities reported in the Funds at August 31, 2012, are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Workers’ compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their present value using an expected future investment yield assumption.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2012, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended August 31, 2012
Unpaid claims, beginning of the year	\$ 15,604
Incurred claims (including IBNR’s)	5,731
Claim payments	(7,541)
Unpaid claims, end of the year	<u>\$ 13,794</u>

O. Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease Liability	\$ 213,620	\$ 0	\$ 22,217	\$ 191,403	\$ 23,371

P. Deferred revenues

Deferred revenue at year-end consisted of the following:

	General Fund
Net uncollected property taxes	\$ 65,133
Overpaid state foundation revenues	379,799
Total Deferred Revenue	<u>\$ 444,932</u>

Q. Due from state agencies

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2012, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Fund	State Entitlements	Federal Grants	Total
General	\$ 51,138		\$ 51,138
Special Revenue		\$ 8,677	8,677
Net Total Receivables	<u>\$ 51,138</u>	<u>\$ 8,677</u>	<u>\$ 59,815</u>

R. Revenue from local and intermediate sources

During the current year, revenues from local and intermediate sources consisted of the following:

Description	General Fund	Special Revenue Fund	Internal Service Fund	Total
Property taxes	\$ 2,917,610			\$ 2,917,610
Penalties, interest and other tax related income	16,000			16,000
Food sales		\$ 95,315		95,315
Investment income	2,842		\$ 23	2,865
Extracurricular student activities	23,523			23,523
Services to other districts	256,683			256,683
Other income	13,501			13,501
Total	<u>\$ 3,230,159</u>	<u>\$ 95,315</u>	<u>\$ 23</u>	<u>\$ 3,325,497</u>

S. School district retiree health plan

*Plan Description.* The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school employee contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2011 and 2010. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2012, 2011, and 2010, the State's contributions to TRS-Care (net of District contributions for federal grants) were \$28,990, \$31,287, and \$33,991, respectively, the active member contributions were \$20,151, \$22,195, and \$23,551, respectively, and the school district's contributions were \$17,050, \$18,781 and \$19,928, respectively, which equaled the required contributions each year.

*Federal Government Retiree Drug Subsidy - Medicare Part D.* The Federal Government Retiree Drug Subsidy - Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program ("TRS-Care") to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditure for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District, in the amounts of \$8,304 \$7,912 and \$9,493 for the years ended August 31, 2012, 2011 and 2010, respectively.

*Early Retiree Reinsurance Program.* The Early Retiree Reinsurance Program ("ERRP") is a provision of the Patient Protection and Affordable Care Act ("PPACA") and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependants regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor.

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amounts of \$7,853 for the year ended August 31, 2012.

T. Fund balance/net asset adjustment

None.

U. Litigation

N/A.

V. Construction and other significant commitments and contingencies

N/A.

W. Joint ventured shared-service arrangements

N/A.

X. Subsequent events

N/A.

Y. Related organizations

N/A.

Z. Maintenance of effort

N/A.



*COMBINING SCHEDULES*

RIVIERA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 5,615
1240	Receivables from Other Governments	5,272	-	-	3,405
1000	Total Assets	\$ 5,272	\$ -	\$ -	\$ 9,020
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 2,847
2160	Accrued Wages Payable	4,851	-	-	5,779
2200	Accrued Expenditures	421	-	-	107
2000	Total Liabilities	5,272	-	-	8,733
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	287
3000	Total Fund Balances	-	-	-	287
4000	Total Liabilities and Fund Balances	\$ 5,272	\$ -	\$ -	\$ 9,020

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	287 Eucation Jobs Fund	410 State Textbook Fund	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,615
-	-	-	-	-	8,677
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,292
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,847
-	-	-	-	-	10,630
-	-	-	-	-	528
-	-	-	-	-	14,005
-	-	-	-	-	287
-	-	-	-	-	287
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,292

RIVIERA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
<b>REVENUES:</b>					
570	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 95,315
580	State Program Revenues	-	-	-	7,490
590	Federal Program Revenues	124,954	79,586	205	162,018
5020	Total Revenues	<u>124,954</u>	<u>79,586</u>	<u>205</u>	<u>264,823</u>
<b>EXPENDITURES:</b>					
Current:					
001	Instruction	124,954	79,586	205	-
003	Guidance, Counseling and Evaluation Services	-	-	-	-
003	Student (Pupil) Transportation	-	-	-	-
003	Food Services	-	-	-	264,536
6030	Total Expenditures	<u>124,954</u>	<u>79,586</u>	<u>205</u>	<u>264,536</u>
1200	Net Change in Fund Balance	-	-	-	287
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287</u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	287 Eucation Jobs Fund	410 State Textbook Fund	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,315
-	-	-	27,622	62	35,174
29,382	19,895	119,937	-	-	535,977
<u>29,382</u>	<u>19,895</u>	<u>119,937</u>	<u>27,622</u>	<u>62</u>	<u>666,466</u>
29,382	19,895	40,770	27,622	62	322,476
-	-	46,380	-	-	46,380
-	-	19,088	-	-	19,088
-	-	13,699	-	-	278,235
<u>29,382</u>	<u>19,895</u>	<u>119,937</u>	<u>27,622</u>	<u>62</u>	<u>666,179</u>
-	-	-	-	-	287
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287</u>

RIVIERA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

	BALANCE SEPTEMBER 1 2011	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2012
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 35,947	\$ 163,598	\$ 153,401	\$ 46,144
Liabilities:				
Due to Student Groups	\$ 35,947	\$ 163,598	\$ 153,401	\$ 46,144
<b>BROOKSHIRE SCHOLARSHIP FUND</b>				
Assets:				
Cash and Temporary Investments	\$ -	\$ 2,000	\$ 1,000	\$ 1,000
Liabilities:				
Accounts Payable	\$ -	\$ 2,000	\$ 1,000	\$ 1,000
<b>SMALL SCHOOL ACADEMIC FUND</b>				
Assets:				
Cash and Temporary Investments	\$ 1,600	\$ 3,000	\$ 2,300	\$ 2,300
Liabilities:				
Accounts Payable	\$ 1,600	\$ 3,000	\$ 2,300	\$ 2,300
<b>CRAIG B KRAATZ SCHOLARSHIP FUND</b>				
Assets:				
Cash and Temporary Investments	\$ 500	\$ -	\$ -	\$ 500
Liabilities:				
Accounts Payable	\$ 500	\$ -	\$ -	\$ 500
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 38,047	\$ 168,598	\$ 156,701	\$ 49,944
Liabilities:				
Accounts Payable	\$ 2,100	\$ 5,000	\$ 3,300	\$ 3,800
Due to Student Groups	35,947	163,598	153,401	46,144
Total Liabilities	\$ 38,047	\$ 168,598	\$ 156,701	\$ 49,944

*REQUIRED TEA SCHEDULES*

RIVIERA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
2004	1.450000	0.000000	133,973,348
2005	1.321200	0.000000	141,443,055
2006	1.500000	0.000000	143,952,233
2007	1.370000	0.000000	187,623,818
2008	1.040000	0.000000	246,300,322
2009	1.040000	0.000000	340,874,347
2010	1.040000	0.000000	335,755,656
2011	1.040000	0.000000	267,519,843
2012 (School year under audit)	1.040000	0.000000	281,871,830
100 TOTALS			



(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 70,417	\$ -	\$ 347	\$ -	\$ (1,879)	\$ 68,191
19,167	-	110	-	-	19,057
5,690	-	85	-	-	5,605
5,992	-	31	-	-	5,961
12,410	-	247	-	-	12,163
5,655	-	312	-	567	5,910
5,415	-	649	-	540	5,306
10,526	-	3,132	-	535	7,929
31,220	-	16,525	-	(1,202)	13,493
-	2,931,467	2,896,172	-	(1,392)	33,903
<u>\$ 166,492</u>	<u>\$ 2,931,467</u>	<u>\$ 2,917,610</u>	<u>\$ -</u>	<u>\$ (2,831)</u>	<u>\$ 177,518</u>

RIVIERA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2012

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 165,907	\$ 95,631	\$ -	\$ -	261,538
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	13,474	10,777	-	-	-	-	24,251
6212	Audit Services	-	-	-	11,900	-	-	11,900
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	70,619	-	-	-	-	70,619
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	2,482	1,700	-	-	4,182
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	6,216	-	-	6,216
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	96	-	-	-	96
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	776	-	10,066	7,136	-	-	17,978
6410	Travel, Subsistence, Stipends	2,662	-	607	1,554	-	-	4,823
6420	Ins. and Bonding Costs	1,770	-	-	-	-	-	1,770
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	9,174	-	5,029	5,832	-	-	20,035
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 27,856	\$ 81,396	\$ 184,187	\$ 129,969	\$ -	\$ -	423,408

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 5,308,565

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 92,732
Total Debt & Lease(6500)	(11)	33,309
Plant Maintenance (Function 51, 6100-6400)	(12)	732,516
Food (Function 35, 6341 and 6499)	(13)	111,099
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		129,969

SubTotal: 1,099,625

Net Allowed Direct Cost \$ 4,208,940

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 9,359,146
Historical Cost of Building over 50 years old	(16)	\$ 1,661,715
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 2,252,163
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 389,812
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.  
 \$63,970 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

RIVIERA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 68,056	\$ 68,056	\$ 95,315	\$ 27,259
5800	State Program Revenues	6,603	6,603	7,490	887
5900	Federal Program Revenues	189,980	189,980	162,018	(27,962)
5020	Total Revenues	264,639	264,639	264,823	184
<b>EXPENDITURES:</b>					
0035	Food Services	272,149	289,639	264,536	25,103
6030	Total Expenditures	272,149	289,639	264,536	25,103
1100	Excess (Deficiency) of Revenues Over Expenditures	(7,510)	(25,000)	287	25,287
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	25,000	25,000	-	(25,000)
7080	Total Other Financing Sources (Uses)	25,000	25,000	-	(25,000)
1200	Net Change in Fund Balances	17,490	-	287	287
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 17,490	\$ -	\$ 287	\$ 287

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*OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION*

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## Independent Auditor's Report

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENTAL AUDITING STANDARDS*

Board of Trustees  
Riviera Independent School District  
203 Seahawk Drive  
Riviera, Texas 78379

Members of the Board of Trustees:

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riviera Independent School District as of and for the year ended August 31, 2012. These collectively comprise the District's basic financial statements. I have issued my report on them dated January 10, 2013.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My 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. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses.

### Compliance

As part of obtaining reasonable assurance about whether Riviera Independent School District's financial statements are free of material misstatement, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts, grant agreements, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* listed as item 12-1 on the accompanying Schedule of Findings and Questioned Costs. However, it is not considered a material weakness as defined above.

This report is intended for the information of the District's board of trustees, the administration, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Respectfully submitted,

Cameron L. Gulley  
Certified Public Accountant

January 10, 2013

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**RIVIERA INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2012*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
None reported.		

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**RIVIERA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

I. Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unqualified.
Internal control over financial reporting:	
Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported.
Noncompliance material to financial statements noted?	No.

B. Federal Awards

Type of auditor's report issued on compliance for major programs:	Unqualified.
Internal control over major programs:	
Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported.
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No.
Major programs are as follows:	
84.358B - ESEA Title VI Part B - Rural & Low Income Programs	\$ 19,895
84.410A - Education Jobs Fund	<u>119,937</u>
Total Major Programs	<u>\$139,832</u>
Threshold used to distinguish between type A and type B programs:	\$300,000.
Auditee qualified as low-risk auditee?	Yes.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

12-1 Failure to properly meet expenditure requirement for state mandated program revenues

Criteria State law requires that for each mandated program revenue entitlement received that at least 52% to 58% of the entitlement (each entitlement expenditure requirement varies) must be expended in areas that directly relate to the program activity.

Statement of Condition During the year under audit, the District received mandated funding from mandated programs with the represented expenditure requirements represented in the table below. However, as the table indicates, the District did not expend all of those revenues in accordance with the minimum expenditure requirements. In particular, career & technology and compensatory education funding were not expended in accordance with the minimum expenditure requirements.

Mandated Program Revenue	Amount Received	Amount Expended	Unexpended Allotment
Gifted & Talented (must expend 55% of allotment)	\$ 15,321	\$ 57,524	N/A
Career & Technology (must expend 58% of allotment)	\$ 747,402	\$ 298,663	\$ 134,830
Special Education (must expend 52% of allotment)	\$ 242,242	\$ 158,304	N/A
Compensatory Education (must expend 52% of allotment)	\$ 409,134	\$ 162,838	\$ 49,912
Bilingual Education (must expend 52% of allotment)	\$ 5,724	\$ 9,241	N/A

Questioned Costs None.

Cause and Effect The cause of not fully expending the mandated program allotments was partially due to district-wide cost-cutting efforts during the year under audit. Additionally, career & technology funding allotment increased during the year by \$66,297 from what was projected on the initial summary of finance from the state.

Recommendation The District should review its program areas of instruction and ensure that expenditures are properly allocated and expended for which they are funded in accordance with the district/campus improvement plans as well as from the state mandated funding formula.

### III. Findings and Questioned Costs for Federal Awards

None.

**RIVIERA INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2012*

12-1      The District will review its areas of instruction to ensure that they are properly funded in accordance with the funding allocation to the various mandated program areas.

Contact representative:      Jose Betancourt, business manager  
Riviera Independent School District  
203 Seahawk Drive  
Riviera, Texas 78379  
(381) 296-3105

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*FEDERAL AWARDS SECTION*

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**Independent Auditor's Report**

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

Board of Trustees  
Riviera Independent School District  
203 Seahawk Drive  
Riviera, Texas 78379

Members of the Board of Trustees:

Compliance

I have audited the compliance of Riviera Independent School District with the types of compliance requirements described in the U.S. OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133 COMPLIANCE SUPPLEMENT that are applicable to each of its major federal programs for the year ended August 31, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Riviera Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, Riviera Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

Management of the District 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion 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 expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be *material weaknesses*, as defined above.

This report is intended for the information of the District's board of trustees, management, Texas Education Agency, and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Respectfully submitted,

Cameron L. Gulley  
Certified Public Accountant

January 10, 2013

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RIVIERA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Direct Programs:			
ESEA Title VI, Part B, Subpart 2 - Rural & Low Income Prog.	84.358B		\$ 19,895
Total Direct Programs			<u>19,895</u>
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010A	12610101137903	119,682
ESEA Title I Part A - Improving Basic Programs *	84.010A	13610101137903	5,272
Subtotal CFDA Number 84.010			<u>124,954</u>
ESEA Title II, Part A, Teacher & Principal Training	84.367A	12694501137903	<u>29,382</u>
Education Jobs Fund	84.410A	11550101137903	<u>119,937</u>
IDEA- Part B, Formula *	84.027A	126600011379036600	79,586
IDEA- Part B, Preschool *	84.173A	126600011379036610	205
Subtotal IDEA Clustered Programs			<u>79,791</u>
Total Passed Through State Department of Education			<u>354,064</u>
Total U.S. Department of Education			<u>373,959</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401101	37,142
National School Lunch Program - Cash Assistance *	10.555	71301101	109,910
National School Lunch Program - Non-Cash Assistance *	10.555		14,966
Total CFDA Number 10.555			<u>124,876</u>
Total Passed Through State Department of Education			<u>162,018</u>
Total U.S. Department of Agriculture			<u>162,018</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 535,977</u>

\* - Clustered programs as required by Compliance Supplement March, 2012.

The accompanying notes are an integral part of this statement.

**RIVIERA INDEPENDENT SCHOOL DISTRICT**  
*NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS*  
*FOR THE YEAR ENDED AUGUST 31, 2012*

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.