

RIVERVIEW CHARTER SCHOOL

BEAUFORT, SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

**BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
OTHER SUPPLEMENTARY FINANCIAL INFORMATION,
AND INDEPENDENT AUDITORS' REPORT**

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BEAUFORT, SOUTH CAROLINA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Riverview Charter School
Beaufort, South Carolina

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Riverview Charter School (the School), a component unit of Beaufort County School District, as of June 30, 2012 and for the year ended, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2012, on our consideration of the School's internal control over financial reporting and on our 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 our 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 29 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the school's basic financial statements. The other supplementary financial information on pages 31 through 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McCay, Kiddy & Associates, LLC

October 11, 2012

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**RIVERVIEW CHARTER SCHOOL
 BEAUFORT, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2012**

As management of Riverview Charter School (the School), we offer readers of the School's audited financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2012. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

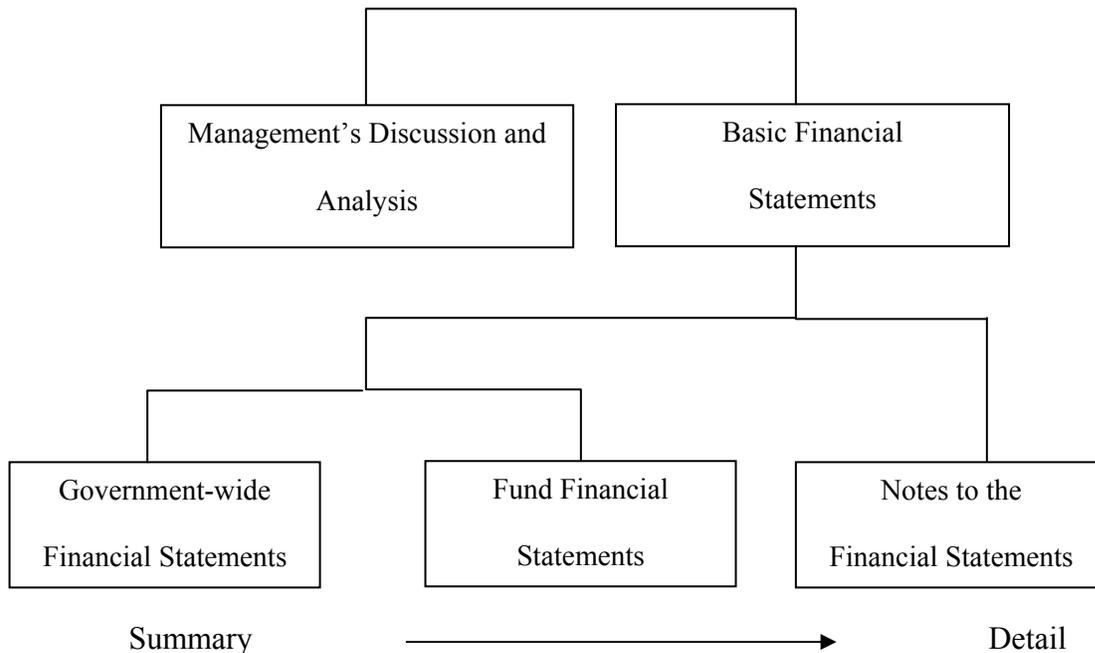
Financial Highlights

- The assets of the School exceeded its liabilities at the close of the fiscal year by \$521,854 (*net assets*).
- The School's governmental funds reported combined fund balances of \$190,108.
- The 2011-2012 45-day headcount was 342.
- The 2011-2012 135-day headcount was 341.
- The School had no long-term debt as of June 30, 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the School.

Figure 1 - Required Components of Annual Financial Report



Basic Financial Statements

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial standing.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the School's government. These statements are more detailed than the government-wide financial statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

Immediately following the fund financial statements are the **Notes to the Financial Statements** (i.e. "Notes"). The Notes offer a detailed explanation of the data contained in those statements. Next, **supplemental information** is provided to show details about the School's funds. Budgetary information for the School also can be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status, as a whole.

The two government-wide statements report the School's net assets and how they have changed. Net assets equal the difference between the School's total assets and total liabilities. Measuring net assets is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. These functions are funded almost entirely through state, county, and federal educational funds. The business-type activities are those services that the School charges its students and other customers. These include the Food Service Activities services carried out by the School.

The government-wide financial statements are enumerated on pages 10 and 11 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related statutory requirements, such as the School's budget ordinance, where and when applicable. All of the funds of the School can be divided into two categories: governmental funds and proprietary funds.

The fund financial statements are enumerated on pages 12 – 18 of this report.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Governmental Funds – Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using the modified accrual accounting method, which provides a short-term spending focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation, which is an integral part of the fund financial statements.

The School has elected to adopt an annual budget. The budget incorporates input from the faculty, management, and the Board of Directors of the School and specifies which activities will be pursued and which services the School will provide during the year. It also authorizes the School to obtain funds from identified sources to finance current period activities. The budgetary statement demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as originally planned.

Proprietary Funds – The School has one proprietary fund, which is an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The School uses enterprise funds to account for its Student Nutrition functions.

Notes to the Financial Statements – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a school's financial condition. The assets of the School exceeded liabilities by \$521,854 as of June 30, 2012. \$330,523 reflects the School's investment in capital assets (e.g. furniture and fixtures, and equipment), less any related debt still outstanding that was issued to acquire those items. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$191,331 is unrestricted.

Figure 2 - Riverview Charter School's Net Assets

	Governmental Activities 2012	Governmental Activities 2011	Business Activities 2012	Business Activities 2011
Current and other assets	\$ 273,631	\$ 367,207	\$ 1,223	\$ 1,223
Capital assets, net of depreciation	329,757	396,098	766	1,119
Total assets	603,388	763,305	1,989	2,342
Total liabilities	83,523	39,057	-	-
Invested in capital assets, net of related debt	329,757	396,098	766	1,119
Unrestricted	190,108	328,150	1,223	1,223
Total net assets	\$ 519,865	\$ 724,248	\$ 1,989	\$ 2,342

Several aspects of the School's financial operations positively influenced the total unrestricted governmental net assets:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Figure 3 - Riverview Charter School's Changes in Net Assets

	Governmental Activities 2012	Business Activities 2012	Total	Governmental Activities 2011	Business Activities 2011	Total
Donations and Other Revenues	\$ 348,988	\$ -	\$ 348,988	\$ 232,441	\$ -	\$ 232,441
Charges for Services	-	59,285	59,285	-	48,047	48,047
County, State, and Federal Funds	3,212,441	51,013	3,263,454	3,018,502	38,549	3,057,051
Total revenues	<u>3,561,429</u>	<u>110,298</u>	<u>3,671,727</u>	<u>3,250,943</u>	<u>86,596</u>	<u>3,337,539</u>
Instructional Programs	2,132,755	-	2,132,755	1,852,516	-	1,852,516
Support services	1,636,678	107,030	1,743,708	1,174,464	161,406	1,335,870
Total expenses	<u>3,769,433</u>	<u>107,030</u>	<u>3,876,463</u>	<u>3,026,980</u>	<u>161,406</u>	<u>3,188,386</u>
Increase (Decrease) in net assets before transfers	(208,004)	3,268	(204,736)	223,963	(74,810)	149,153
Transfers	3,621	(3,621)	-	(75,680)	75,680	-
Increase (Decrease) in net assets	(204,383)	(353)	(204,736)	148,283	870	149,153
Net assets, July 1	<u>724,247</u>	<u>2,342</u>	<u>726,589</u>	<u>575,965</u>	<u>1,472</u>	<u>577,437</u>
Net assets, June 30	<u>\$ 519,864</u>	<u>\$ 1,989</u>	<u>\$ 521,853</u>	<u>\$ 724,248</u>	<u>\$ 2,342</u>	<u>\$ 726,590</u>

Governmental activities. Governmental activities decreased the School's net assets by \$208,004. There was a transfer of \$3,621 from the business type activities resulting in a net asset decrease of \$204,383.

Business-type activities. Business-type activities decreased the School's net assets by \$353. The School elects to continue to operate the School Food Service Fund to meet the daily dietary demands of the student population. The School considers a nutritional program an essential part of a healthy learning environment even though the program generates a decrease in net assets.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Financial Analysis of the School's Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing the School's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$119,643.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the School Food Service Fund at the end of the fiscal year amounted to \$1,223. The total loss in net assets for the School Food Service fund was \$353. Other factors concerning the finances of this fund have already been addressed in the discussion of the School's business-type activities.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental and business activities as of June 30, 2012, totals \$330,523 (net of accumulated depreciation). Capital assets include furniture and equipment and leasehold improvements.

Figure 4 - Riverview Charter School's Capital Assets (net of depreciation)

	Gov. Activities 2012	Bus. Activities 2012	Total
Furniture, fixtures, and equipment	\$ 176,760	\$ 766	\$ 177,526
Leasehold improvements	152,997	-	152,997
Total	\$ 329,757	\$ 766	\$ 330,523
	2011	2011	Total
Furniture, fixtures, and equipment	\$ 243,783	\$ 1,119	\$ 244,902
Leasehold improvements	152,315	-	152,315
Total	\$ 396,098	\$ 1,119	\$ 397,217

Additional information about the School's capital assets can be found in Note II. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2012, the School had no long-term debt.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

General Fund Budgetary Highlights

The positive instruction variance of \$30,027 is due to not spending the anticipated amount on salaries and related payroll taxes and benefits. The School has to employ a few long-term substitutes during the year which were paid less than the original teachers that were hired.

The negative variance in Support Services of \$92,808 is due to higher than expected attorney fees, construction of mobile units, and accrual of the loss contingency.

Both the revenue and expenditures on the final budget were higher than the original budget. The majority of the difference relates to general fund revenue and expenses generated through the school including, tidewatch (after-school program), fundraising, and pupil activities. The additional revenue brought in by tidewatch and pupil activity had corresponding increased expenses.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the School:

- The School continues to see community support as evidenced by the volunteerism, local organizations donating classroom and office supplies, private donations, and support through fundraising.
- The School has a returning staff of professionals that are committed to the School.
- The School continues to seek both federal and private grant funds to supplement its Base Student funding.
- The School's headcount has increased for FY 12.
- The School continues to upgrade their current facility to better serve its students.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director, Riverview Charter School, 81 Savannah Highway Beaufort, South Carolina 29906, and telephone number (843) 379-0123.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 237,788	\$ -	\$ 237,788
Due from Other Governmental Units	-	6,587	6,587
Internal Balance	6,587	(6,587)	-
Inventory	-	1,223	1,223
Other Assets	29,256	-	29,256
Capital Assets, Net of Depreciation	<u>329,757</u>	<u>766</u>	<u>330,523</u>
Total Assets	<u>603,388</u>	<u>1,989</u>	<u>605,377</u>
Liabilities			
Accounts Payable and Other Current Liabilities	46,023	-	46,023
Loss Contingency	<u>37,500</u>	<u>-</u>	<u>37,500</u>
Total Liabilities	<u>83,523</u>	<u>-</u>	<u>83,523</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	329,757	766	330,523
Unrestricted Net Assets	<u>190,108</u>	<u>1,223</u>	<u>191,331</u>
Total Net Assets	<u>\$ 519,865</u>	<u>\$ 1,989</u>	<u>\$ 521,854</u>

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Functions/ Programs	Expenses	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes In Net Assets</u>		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction	\$ 2,132,755	\$ -	\$ 130,202	\$ (2,002,553)	\$ -	\$ (2,002,553)
Support Services	1,636,678	-	79,385	(1,557,293)	-	(1,557,293)
Intergovernmental	-	-	3,002,854	3,002,854	-	3,002,854
Total Governmental Activities	<u>3,769,433</u>	<u>-</u>	<u>3,212,441</u>	<u>(556,992)</u>	<u>-</u>	<u>(556,992)</u>
Business-type Activities:						
Food Service	<u>107,030</u>	<u>59,285</u>	<u>51,013</u>	<u>-</u>	<u>3,268</u>	<u>3,268</u>
Total Primary Government	<u><u>\$ 3,876,463</u></u>	<u><u>\$ 59,285</u></u>	<u><u>\$ 3,263,454</u></u>	<u><u>(556,992)</u></u>	<u><u>3,268</u></u>	<u><u>(553,724)</u></u>
General Revenues:						
Miscellaneous				348,988	-	348,988
Transfers				<u>3,621</u>	<u>(3,621)</u>	<u>-</u>
Total General Revenues				<u>352,609</u>	<u>(3,621)</u>	<u>348,988</u>
Change in Net Assets				(204,383)	(353)	(204,736)
Net Assets - July 1, 2011				<u>724,248</u>	<u>2,342</u>	<u>726,590</u>
Net Assets - June 30, 2012				<u><u>\$ 519,865</u></u>	<u><u>\$ 1,989</u></u>	<u><u>\$ 521,854</u></u>

FUND FINANCIAL STATEMENTS

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>Special Revenue Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Education Improve- ment Act</u>	
Assets				
Cash and Investments	\$ 237,788	\$ -	\$ -	\$ 237,788
Due from Other Funds	6,587	-	-	6,587
Prepaid Expenses	19,256	-	-	19,256
Deposits	10,000	-	-	10,000
Total Assets	<u>\$ 273,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,631</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Accruals	\$ 46,023	\$ -	\$ -	\$ 46,023
Loss Contingency	37,500	-	-	37,500
Total Liabilities	<u>83,523</u>	<u>-</u>	<u>-</u>	<u>83,523</u>
Fund Balances:				
Nonspendable				
Deposits	10,000	-	-	10,000
Prepays	19,256	-	-	19,256
Assigned to				
Other purposes	41,209	-	-	41,209
Unassigned	119,643	-	-	119,643
Total Fund Balances	<u>190,108</u>	<u>-</u>	<u>-</u>	<u>190,108</u>
Total Liabilities and Fund Balances	<u>\$ 273,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,631</u>

**RIVERVIEW CHARTER SCHOOL
 BEAUFORT, SOUTH CAROLINA
 RECONCILIATION OF THE BALANCE SHEET OF THE
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012**

Total Fund Balances - Governmental Funds	\$ 190,108
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.

Cost of the assets	\$ 767,253	
Less: accumulated depreciation	<u>(437,496)</u>	<u>329,757</u>

Total Net Assets - Governmental Activities	<u><u>\$ 519,865</u></u>
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**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Special Revenue Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Education Improvement Act</u>	
Revenues				
Other Local	\$ 348,988	\$ -	\$ -	\$ 348,988
Total Local	<u>348,988</u>	<u>-</u>	<u>-</u>	<u>348,988</u>
State Sources	-	57,837	102,970	160,807
Federal Sources	-	48,780	-	48,780
Intergovernmental Revenue	3,002,854	-	-	3,002,854
Total Revenues	<u>3,351,842</u>	<u>106,617</u>	<u>102,970</u>	<u>3,561,429</u>
Expenditures				
Current:				
Instruction	1,921,659	51,657	78,545	2,051,861
Support Services	1,430,320	54,960	15,825	1,501,105
Capital Outlay	141,526	-	8,600	150,126
Total Expenditures	<u>3,493,505</u>	<u>106,617</u>	<u>102,970</u>	<u>3,703,092</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(141,663)</u>	<u>-</u>	<u>-</u>	<u>(141,663)</u>
Other Financing Sources (Uses)				
Transfers In	3,621	-	-	3,621
Total Other Financing Sources (Uses)	<u>3,621</u>	<u>-</u>	<u>-</u>	<u>3,621</u>
Net Change in Fund Balances	(138,042)	-	-	(138,042)
Fund Balances - July 1, 2011	<u>328,150</u>	<u>-</u>	<u>-</u>	<u>328,150</u>
Fund Balances - June 30, 2012	<u>\$ 190,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,108</u>

**RIVERVIEW CHARTER SCHOOL
 BEAUFORT, SOUTH CAROLINA
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Governmental Funds \$ (138,042)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capitalized capital outlays in the current period	150,126	
Depreciation expense in the current period	<u>(216,467)</u>	<u>(66,341)</u>

Change in Net Assets - Governmental Activities \$ (204,383)

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	<u>Enterprise Fund - Food Services</u>
Assets	
Current assets:	
Inventory	\$ 1,223
Due from other governmental units	<u>6,587</u>
Total Current Assets	<u>7,810</u>
Noncurrent assets:	
Equipment	1,766
Less accumulated depreciation	<u>(1,000)</u>
Total Noncurrent Assets	<u>766</u>
Total Assets	<u><u>\$ 8,576</u></u>
 Liabilities and Net Assets	
Liabilities:	
Due To Other Funds	<u>\$ 6,587</u>
Total Liabilities	<u>6,587</u>
Net Assets:	
Invested in Capital Assets	766
Unrestricted	<u>1,223</u>
Total Net Assets	<u>1,989</u>
Total Liabilities and Net Assets	<u><u>\$ 8,576</u></u>

See accompanying notes to financial statements and independent auditors' report.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Enterprise Fund - Food Services</u>
Revenues	
Proceeds from Sale of Meals	\$ 59,285
Total revenues	<u>59,285</u>
Operating Expenses	
Food Costs	45,424
Salaries and Wages	47,915
Supplies and Materials	2,919
Depreciation	353
Other Operating Costs	10,419
Total Operating Expenses	<u>107,030</u>
Operating Income (Loss)	<u>(47,745)</u>
Nonoperating Revenues (Expenses)	
USDA Reimbursements	44,370
Commodities Received from USDA	6,643
Total Nonoperating Revenue (Expenses)	<u>51,013</u>
Income (Loss) Before Operating Transfers	<u>3,268</u>
Transfers In (Out)	<u>(3,621)</u>
Change in Net Assets	(353)
Net Assets - July 1, 2011	<u>2,342</u>
Net Assets - June 30, 2012	<u><u>\$ 1,989</u></u>

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Enterprise Fund - Food Services</u>
Cash Flows From Operating Activities	
Operating Cash Receipts from Customers and Users	\$ 59,285
Charges from Other Funds	
Payments to Employee for Services	(47,915)
Payments for Employee Benefits	(10,249)
Payments to Suppliers for Goods and Services	<u>(41,870)</u>
Net Cash Used By Operating Activities	<u>(40,749)</u>
Cash Flows From Noncapital Financing Activities	
Nonoperating Grants Received	37,783
Advances from General Fund	6,587
Transfers (to) from Other Funds	<u>(3,621)</u>
Net Cash Provided By Noncapital Financing Activities	<u>40,749</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents, July 1, 2011	<u>-</u>
Cash and Cash Equivalents, June 30, 2012	<u><u>\$ -</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (47,745)
Adjustments to reconcile operating income to net cash received from (used by) operating activities:	
Depreciation	353
Commodities used	<u>6,643</u>
Net cash received from (used by) operating activities	<u><u>\$ (40,749)</u></u>

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Riverview Charter School (the “School”) was created in March 2008 through a ten year charter granted by Beaufort County School District (BCSD). The School began operation July 1, 2009. The School is a discretely presented component unit of BCSD.

The School teaches in the traditional style with one grade level learning in one classroom area. In fiscal year 2012, the School consisted of twenty-two primary classrooms with kindergarten through seventh grade students.

A. Reporting Entity

The Board of Directors (the “Board”) of the School determines the operating policies and such policies are implemented by the School’s staff. As of June 30, 2012, the School’s volunteer Board of Directors is as follows:

Board Members

Mike Freeman – Chairman	Sarah Brock - Member
Stan Ganshow – Vice Chairman	Evy Trask - Member
Courtney Smith – Secretary	Christy Levitt - Member
Chris Canaday – Treasurer	Ray Polkey - Member
Ed Foster – Member	Daniel Russell - Member
Joseph Dunkle – Member	Caprecia Evans - Member
Shelley Kolb - Member	

As required by generally accepted accounting principles, these financial statements present the School which is a component unit of Beaufort County School District. The School is a legally separate entity that is in substance part of the School District’s operation.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary School. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

Fund Financial Statements:

The School uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School functions and activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. The following are the School's major governmental funds:

1. General Fund - The General Operating Fund of the School is used to account for all financial resources except those required to be accounted for in another fund. All revenue, charges for services, Education Finance Act revenue, and miscellaneous revenue are recorded in this fund except amounts which are specifically collected in a fiduciary capacity. Operational expenditures for general instruction, support services, general administration, and other departments of the School are paid through the General Fund.
2. Special Revenue Fund - Special Revenue Funds account for the operations of federal and state projects, which are required by the South Carolina State Department of Education to be accounted for in separate funds.
3. Education Improvement Act Fund - This fund is used to account for the School's expenditures as a result of receiving state funds used in a comprehensive education reform plan which are required to be accounted for in separate programs and strategies.

The School did not have any non-major funds as of June 30, 2012.

Proprietary Funds

Proprietary funds are used to account for activities where the determination of net income is necessary or useful to provide sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Within proprietary funds, operating revenues and expenses are presented in the statement of revenue, expenses, and changes in fund net assets. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Sales for food service represent the operating revenues of the School's enterprise fund. Nonoperating revenues consist primarily of reimbursements from the United States Department of Agriculture. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

Enterprise Funds

To account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or covered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Food Service Fund is the School's only enterprise fund and is used to account for the United States Department of Agriculture (USDA) approved school breakfast and lunch programs.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using 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 related cash flows. 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 are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets cash flow needs of its proprietary activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Non-exchange transactions are transactions in which the School receives value without directly giving equal value in return, including grants, entitlements and donations. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Amounts reported as program revenues include operating grants and contributions.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of inter-fund activity has been eliminated from the government-wide financial statements.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

D. Assets, Liabilities, and Equity

Cash

The School’s cash and cash equivalents are defined as short-term, highly liquid investments with an original maturity of three months or less, that are both readily convertible to known amounts of cash, and so near their maturity that they present no significant risk of changes in value because of changes in interest rates.

Receivables/Payables

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as “Due to/from other funds”.

Inventory

The Enterprise Fund inventory includes food and supplies, recorded at fair market value at the time of receipt and has not been consumed at fiscal year end.

Due from Other Governmental Units

Amounts due from other governmental units represents amounts owed to the School from United States Department of Agriculture for grant/contractual funding related to the School year ending June 30, 2012 that has been earned but not yet received as of June 30, 2012.

Capital Assets

Capital assets, which include leasehold improvement, classroom equipment, office equipment, and construction in progress, are reported in the governmental activities in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 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.

Property and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold Improvements	Life of the lease
Furniture and Fixtures	3 - 5
Equipment	3 - 5

Deferred and Unearned Revenues

Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when resources have been received but not yet earned. Federal, state, local and private program grant revenues received and not yet expended by the School are recorded as unearned revenue. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the grant proceeds, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Transfers From and To Other Funds

Funds were transferred from the General Fund to the Food Service Fund of \$3,621 to finance food costs and administrative costs for the Food Service Fund.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

Reservations and Designations of Fund Balances

Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

The School’s fund balance amounts are reported within one of the following fund balance categories.

- a. *Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints (such as inventories, prepaids, long-term loans and notes receivable and property held for resale).
- b. *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- c. *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- d. *Assigned* – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Director.
- e. *Unassigned* – is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year.

The School does not currently have policies in place for committed and assigned fund balances.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

First non-spendable fund balances are determined, then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Any remaining fund balance amounts for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Encumbrances

The School does not currently have an encumbrance policy. All encumbrances are classified as either Assigned Fund Balance or Restricted Fund Balance in the General Fund, or as Restricted Fund Balance in the non-general funds. A significant encumbrance as of June 30, 2012 was for furniture of \$41,209.

E. Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the School's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

The School is authorized by South Carolina state law to invest in the following types of investments:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Banks and savings and loan associations to the extent they are insured by the Federal Deposit Insurance Corporation;
4. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit and repurchase agreements so secured, including interest; and
5. The State Treasurer's Local Government Investment Pool (monitored by the State Treasurer for investments invested in government guaranteed securities in accordance with South Carolina state laws);

Custodial credit risk – Custodial credit risk is the risk that the School's deposits will not be returned to it. The School has no formal policy regarding custodial credit risk. For the year ended June 30, 2012, the School's deposits were covered by Federal Depository Insurance and/or by collateral held in the School's name at the pledging financial institution.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

Credit risk – South Carolina statutes authorize investments in Certificates of Deposits, savings accounts, repurchase agreements, the State Treasurer’s Local Government Investment Pool, obligations of the United States Government and government agencies unconditionally guaranteed by the United States Government. The School has no investment policy that would further restrict its choices.

Interest rate risk – The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Capital Assets

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

	<u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>
Governmental Activities:				
Capital Assets, Being Depreciated				
Furniture and Equipment	\$ 368,982	\$ 16,690	\$ -	\$ 385,672
Leasehold Improvements	248,145	133,436	-	381,581
Total Capital Assets, Being Depreciated	<u>617,127</u>	<u>150,126</u>	<u>-</u>	<u>767,253</u>
Total Capital Assets, Cost	<u>617,127</u>	<u>150,126</u>	<u>-</u>	<u>767,253</u>
Less Accumulated Depreciation:				
Furniture and Equipment	125,199	83,713	-	208,912
Leasehold Improvements	95,830	132,754	-	228,584
Total Accumulated Depreciation	<u>221,029</u>	<u>216,467</u>	<u>-</u>	<u>437,496</u>
Total Capital Assets, Being Depreciated, Net	<u>396,098</u>	<u>(66,341)</u>	<u>-</u>	<u>329,757</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 396,098</u>	<u>\$ (66,341)</u>	<u>\$ -</u>	<u>\$ 329,757</u>

Depreciation expense is charged to function of the School as follows:

Instruction	\$ 80,894
Support Services	<u>135,573</u>
Total depreciation	<u>\$ 216,467</u>

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

	June 30, 2011	Increases	Decreases	June 30, 2012
Business-type Activites:				
Capital Assets, Being Depreciated				
Furniture and Equipment	\$ 1,766	\$ -	\$ -	\$ 1,766
Total Capital Assets, Cost	1,766	-	-	1,766
Less Accumulated Depreciation:				
Furniture and Equipment	647	353	-	1,000
Total Capital Assets, Being Depreciated, Net	1,119	(353)	-	766
Total Business-type Activites Capital Assets, Net	\$ 1,119	\$ (353)	\$ -	\$ 766

C. Long-Term Obligations

Operating Leases

The School began a new lease for their facilities July 2012 from Beaufort County School District, a related party. The minimum lease payment is \$22,500 and expires July 2014 with an option to renew twice for an additional year.

The School leases various items under the following conditions:

Leased Items	Monthly Payments	Expiration
Portable Classrooms	\$ 7,227	June 2013
Copiers (2)	173 and 99	August 2014
Apple Computers and iPads	1,975	June 2015
WiFi Access Points	281	July 2017

Lease expense for the year ended June 30, 2012 is \$272,955. The total future minimum payments for June 30:

2013	\$ 375,550
2014	300,357
2015	300,357
2016	14,894
2017	281
Total minimum payments	\$ 991,439

D. Food Service

Federal Guidelines

The School's Food Service Fund administers the lunch programs in accordance with the United States Department of Agriculture (USDA) guidelines. Revenues are provided from USDA reimbursements and cash collections. The meals served to pupils are classified as regular, reduced, or free lunches by the Food Service Program. The type of meal served determines the amount of reimbursement from the USDA. Reimbursements may be in the form of cash or commodities.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

Administrative Costs

The General Fund performs certain administrative functions and pays for certain costs of the Food Service Fund. The School District's accounting policies for food service operations reflect these expenditures in the General Fund.

III. OTHER INFORMATION

A. Related Parties

The School is a component unit of the District's financial statements. Annual funding allocated from the District to the School during the year ended June 30, 2012 is \$3,212,441. The District additionally provides services, benefits, supplies, and leases facilities to the School at fair market value.

B. Commitments

Architectural Services

The School contracted for architectural and engineering fees to conduct a feasibility study on a parcel of land that has been offered as a donation to the School. The projected fees for future years are expected to total approximately \$1,000,000.

Accounting Services

The School entered into a one year contract for accounting services. The contractor shall monthly maintain the School's financial records in compliance with any and all state education information for fiscal year 2013. Total expenditures incurred associated with accounting services for the year ended June 30, 2012 are \$31,000 and projected fees for fiscal year 2013 are \$54,700.

Cleaning Services

The School entered into a one year contract for cleaning services. The contractor shall regularly clean and provide maintenance for the school building for fiscal year 2013. Total projected fees for fiscal year 2013 are \$86,900.

C. Contingencies

Grants

The School participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of program expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Litigation

The School may be party to various legal proceedings incidental to its operation. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending. In the opinion of management, all such matters are adequately covered by insurance or if not so covered, are without merit, or involve such amounts as would not have a significant effect on the financial position of the School if disposed of unfavorably.

Subsequent to year end the School settled an outstanding claim which has been recorded as a contingent liability as of June 30, 2012 for \$37,500.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

D. Retirement Plan

Plan Description

The South Carolina Retirement System (SCRS) is a cost-sharing multi-employer defined benefit pension plan (the Plan) administered by the Retirement Division of the State Budget and Control Board. The SCRS offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the SCRS is issued and publicly available on the internet at www.scrs.state.sc.us, or by writing the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

Funding Policy

Both employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws. Employee contributions to the Plan are 6.5 percent of salary. Employers are required to contribute at 9.635 percent. In addition to the above rates, participating employers of the South Carolina Retirement System contribute .15% and 3.90% of payroll to provide group life insurance benefit and health insurance coverage, respectively.

Other Retirement Plan

The State Optional Retirement Plan (State ORP) is an alternative to the South Carolina Retirement System retirement plan. Employees have thirty days from the date of hire to determine participation in either the SCRS or the State ORP.

The State ORP is a defined contribution plan administered as a qualified plan pursuant to section 401(a) of the Internal Revenue Code. All permanent, full-time, part-time and temporary employees hired after June 30, 2003, are eligible to participate in the State ORP. Employee required contributions to the State ORP are 6.5 percent of salary. The employer contributes 5.0 percent to the State ORP.

The School's contributions to SCRS and State ORP for the year ended June 30, 2012 and 2011 are \$249,477 and \$188,512, respectively. All employer contributions are equal to the required contributions for each year.

Post-employment benefits for life insurance are actuarially funded by the South Carolina Retirement System for participants of the SCRS.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
Revenues			
Local Sources	\$ 207,825	\$ 352,966	\$ 348,988
Intergovernmental Revenue	2,951,759	3,002,854	3,002,854
Total Revenues	<u>3,159,584</u>	<u>3,355,820</u>	<u>3,351,842</u>
Expenditures			
Current:			
Instruction	1,821,045	1,951,686	1,921,659
Support Services	1,289,781	1,479,038	1,571,846
Total Expenditures	<u>3,110,826</u>	<u>3,430,724</u>	<u>3,493,505</u>
Excess (Deficiency) of Revenues Over Expenditures	48,758	(74,904)	(141,663)
Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>3,621</u>
Net Change In Fund Balance	48,758	(74,904)	(138,042)
Fund Balances - July 1, 2011	<u>328,150</u>	<u>328,150</u>	<u>328,150</u>
Fund Balances - June 30, 2012	<u><u>\$ 376,908</u></u>	<u><u>\$ 253,246</u></u>	<u><u>\$ 190,108</u></u>

**RIVERVIEW CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2012**

NOTE A - BUDGETARY BASIS

The General Fund budget is adopted on a basis consistent with generally accepted accounting principles. The School's Board of Directors hold public hearings and conducts two formal readings of the budget. The budget for the General Fund is prepared by function and activity and includes current year estimates and requested appropriations for the next fiscal year. Fund expenditures may not exceed amounts appropriated within the total budget without the approval of the Board. Line item transfers within functions are approved by the Board of Directors. Budget amounts reflected in the accompanying schedule represent the adopted budget and any revisions including reappropriation of prior year encumbrances during the fiscal year.

Budgets for the Special Revenue Fund and EIA Fund are approved by the appropriate granting agencies, and as such, these budgets are not part of the School's legally adopted budget and are not presented in the Budgetary Comparison Schedule.

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SUPPORTING SCHEDULES**

GENERAL FUND

To account for all financial resources except those required to be accounted for in another fund. All intergovernmental revenues and miscellaneous revenues are recorded in this fund. Operational expenditures for general education, support services and other departments of the School are paid through the General Fund.

The following Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund has been prepared in the format mandated by the South Carolina State Department of Education. The account numbers shown on the statement are also mandated by the South Carolina Department of Education.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
1000 Revenue from Local Sources			
1900 Other Revenue from Local Sources			
1920 Contributions & Donations Private Sources	\$ 159,444	\$ 153,934	\$ (5,510)
1999 Revenue from Other Local Sources	193,522	195,054	1,532
Total Local Sources	<u>352,966</u>	<u>348,988</u>	<u>(3,978)</u>
2000 Intergovernmental Revenue			
2100 Payments from Other Governmental Units	3,002,854	3,002,854	-
Total Intergovernmental Revenue	<u>3,002,854</u>	<u>3,002,854</u>	<u>-</u>
Total Revenue All Sources	<u>3,355,820</u>	<u>3,351,842</u>	<u>(3,978)</u>
Expenditures			
100 Instruction			
110 General Instruction			
111 Kindergarten Programs			
100 Salaries	43,080	43,080	-
200 Employee Benefits	13,150	13,150	-
112 Primary Programs			
100 Salaries	178,157	178,157	-
200 Employee Benefits	80,621	80,621	-
113 Elementary Programs			
100 Salaries	1,002,699	985,313	17,386
200 Employee Benefits	360,655	358,700	1,955
300 Purchased Services	5,100	3,875	1,225
400 Supplies and Materials	51,029	57,000	(5,971)
120 Exceptional Programs			
127 Learning Disabilities			
100 Salaries	51,845	42,411	9,434
200 Employee Benefits	28,097	28,190	(93)
400 Supplies and Materials	225	-	225
500 Capital Outlay	500	-	500

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
140 Special Programs			
149 Other Special Programs			
300 Purchased Services	17,170	16,794	376
170 Summer School Program			
175 Instructional Programs Beyond Regular School Day			
100 Salaries	55,365	56,328	(963)
200 Employee Benefits	14,174	9,498	4,676
300 Purchased Services	42,319	42,106	213
400 Supplies and Materials	7,500	6,436	1,064
Total Instruction	<u>1,951,686</u>	<u>1,921,659</u>	<u>30,027</u>
200 Support Services			
210 Pupil Services			
212 Guidance Services			
100 Salaries	54,590	54,593	(3)
200 Employee Benefits	5,056	3,828	1,228
400 Supplies and Materials	165	-	165
213 Health Services			
100 Salaries	6,252	5,872	380
200 Employee Benefits	8,636	7,372	1,264
400 Supplies and Materials	200	164	36
220 Instructional Staff Services			
221 Improvement of Instruction Curriculum Development			
100 Salaries	125,175	124,863	312
200 Employee Benefits	49,771	37,230	12,541
224 Improv. of Instr. - In-svc and Staff Training			
100 Salaries	65,125	64,812	313
200 Employee Benefits	22,525	18,335	4,190
300 Purchased Services	1,975	4,698	(2,723)

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
230 General Administration Services			
231 Board of Education			
300 Purchased Services	60,000	111,405	(51,405)
318 Audit Fees	15,400	15,345	55
400 Supplies and Materials	38,617	42,120	(3,503)
600 Other Objects	38,520	25,632	12,888
233 School Administration			
100 Salaries	185,060	184,398	662
200 Employee Benefits	56,789	53,184	3,605
300 Purchased Services	14,440	11,071	3,369
400 Supplies and Materials	15,530	18,433	(2,903)
250 Finance and Operations Services			
252 Fiscal Services			
300 Purchased Services	31,000	31,000	-
600 Other Objects	6,500	6,320	180
253 Facilities Acquisition and Construction			
300 Purchased Services	21,733	28,636	(6,903)
580 Mobile Classrooms	105,837	141,526	(35,689)
254 Operation and Maintenance of Plant			
300 Purchased Services	363,608	362,421	1,187
321 Public Utilities	3,000	2,987	13
400 Supplies and Materials	25,000	30,082	(5,082)
470 Energy	19,250	22,154	(2,904)
255 Student Transportation			
300 Purchased Services	2,000	-	2,000
600 Other Objects	277	-	277
258 Security			
300 Purchased Services	-	3,790	(3,790)
260 Central Support Services			
263 Information Services			
300 Purchased Services	9,500	9,387	113
266 Technology and Data Processing Services			
100 Salaries	35,690	35,690	-
200 Employee Benefits	14,986	14,167	819
300 Purchased Services	31,831	44,772	(12,941)
400 Supplies and Materials	10,000	10,895	(895)

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
270 Support Services Pupil Activity			
271 Pupil Services Activities			
600 Other Objects	35,000	44,664	(9,664)
Total Support Services	<u>1,479,038</u>	<u>1,571,846</u>	<u>(92,808)</u>
Total Expenditures	<u>3,430,724</u>	<u>3,493,505</u>	<u>(62,781)</u>
Excess/(Deficiency) of Revenues over Expenditures	(74,904)	(141,663)	(66,759)
Interfund Transfers, From (To) Other Funds:			
5260 Transfer from Food Service Fund	-	3,621	3,621
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,621</u>	<u>3,621</u>
Net Change In Fund Balance	(74,904)	(138,042)	(63,138)
Fund Balances - July 1, 2011	<u>328,150</u>	<u>328,150</u>	<u>-</u>
Fund Balances - June 30, 2012	<u>\$ 253,246</u>	<u>\$ 190,108</u>	<u>\$ (63,138)</u>

SPECIAL REVENUE FUNDS

To account for the operations of federal and state projects, which are required to be accounted for in separate funds.

Special Revenue Fund – This fund is used to account for all federal and state projects except for those subject to Education Improvement Act requirements.

Education Improvement Act Fund – This fund is used to account for the School's expenditures as a result of receiving state funds used in a comprehensive education reform plan which are required to be accounted for in separate programs and strategies.

The following combining and individual fund statements and schedules have been prepared in the format mandated by the South Carolina State Department of Education. The account numbers shown on the various statements are also mandated by the South Carolina Department of Education.

**RIVERVIEW CHARTER SCHOOL
 BEAUFORT, SOUTH CAROLINA
 SPECIAL REVENUE FUND - SPECIAL REVENUE PROGRAMS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 YEAR ENDED JUNE 30, 2012**

	<u>IDEA</u>	<u>Other Designated Restricted State Grants</u>	<u>Other Special Revenue Programs</u>	<u>Total</u>
Revenues				
3000 Revenue from State Sources				
3100 Restricted State Funding				
3120 General Education				
3123 Formative Assessment	\$ -	\$ 1,492	\$ -	\$ 1,492
3127 Student Health and Fitness - PE Teachers	-	4,753	-	4,753
3130 Special Programs				
3136 Student Health and Fitness - Nurses	-	30,033	-	30,033
3600 Education Lottery Act Revenue				
3607 6-8 Enhancement	-	422	-	422
3610 K-5 Enhancement	-	21,137	-	21,137
Total State Sources	<u>-</u>	<u>57,837</u>	<u>-</u>	<u>57,837</u>
4000 Revenue from Federal Sources				
4300 Elementary and Secondary Education Act of 1965 (ESEA)				
4341 Language Inst. for Limited English Profic. and Immigrant Students, Title III	-	-	599	599
4351 Improving Teacher Quality	-	-	1,793	1,793
4500 Programs for Children with Disabilities				
4510 Individuals With Disabilities Education Act (IDEA)	46,388	-	-	46,388
Total Federal Sources	<u>46,388</u>	<u>-</u>	<u>2,392</u>	<u>48,780</u>
Total Revenue All Sources	<u>46,388</u>	<u>57,837</u>	<u>2,392</u>	<u>106,617</u>
Expenditures				
100 Instruction				
110 General Instruction				
112 Primary Programs				
100 Salaries	-	4,753	-	4,753

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
SPECIAL REVENUE FUND - SPECIAL REVENUE PROGRAMS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2012**

	<u>IDEA</u>	<u>Other Designated Restricted State Grants</u>	<u>Other Special Revenue Programs</u>	<u>Total</u>
113 Elementary Programs				
300 Purchased Services	200	-	-	200
400 Supplies and Materials	-	21,559	-	21,559
120 Exceptional Programs				
127 Learning Disabilities				
100 Salaries	24,620	-	-	24,620
400 Supplies and Materials	525	-	-	525
Total Instruction	<u>25,345</u>	<u>26,312</u>	<u>-</u>	<u>51,657</u>
200 Support Services				
210 Pupil Services				
213 Health Services				
100 Salaries	-	30,033	-	30,033
215 Exceptional Program Services				
300 Purchased Services	21,043	-	599	21,642
220 Support Services - Instructional Staff				
224 Improvement of Instruction In-service and Staff Training				
300 Purchased Services	-	1,492	1,793	3,285
Total Support Services	<u>21,043</u>	<u>31,525</u>	<u>2,392</u>	<u>54,960</u>
Total Expenditures	<u>46,388</u>	<u>57,837</u>	<u>2,392</u>	<u>106,617</u>
Excess of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances - July 1, 2011	-	-	-	-
Fund Balances - June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
SPECIAL REVENUE FUND - SPECIAL REVENUE PROGRAMS
NOTES TO COMBINING SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2012**

Subfund codes and titles for the special revenue programs are as follows:

Other Restricted State Grants

- 933 Formative Assessment
- 936 Student Health & Fitness - Nurses
- 937 Student Health & Fitness - PE Teachers
- 960 K-5 Enhancement
- 967 6-8 Enhancement

Other Special Revenue Programs

- 264 Language Instruction for Limited English Proficient and Immigrant Students, Title III
- 267 Improving Teacher Quality

**RIVERVIEW CHARTER SCHOOL
 BEAUFORT, SOUTH CAROLINA
 SPECIAL REVENUE FUND - SPECIAL REVENUE PROGRAMS
 SUMMARY SCHEDULE FOR DESIGNATED STATE RESTRICTED GRANTS
 YEAR ENDED JUNE 30, 2012**

<u>Subfund</u>	<u>Revenue</u>	<u>Programs</u>	<u>Revenues</u>	<u>Expenditures</u>
933	3123	Formative Assessment	\$ 1,492	\$ 1,492
936	3136	Student Health and Fitness - Nurses	30,033	30,033
937	3127	Student Health and Fitness - PE Teachers	4,753	4,753
960	3610	K-5 Enhancement	21,137	21,137
967	3607	6-8 Enhancement	422	422
	Totals		<u>\$ 57,837</u>	<u>\$ 57,837</u>

**RIVERVIEW CHARTER SCHOOL
 BEAUFORT, SOUTH CAROLINA
 SPECIAL REVENUE FUND - EDUCATION IMPROVEMENT ACT FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - ALL PROGRAMS
 YEAR ENDED JUNE 30, 2012**

Revenues

3000 Revenue from State Sources

3500 Education Improvement Act:	
3502 ADEPT	\$ 2,800
3532 National Board Certification Salary Supplement	30,000
3538 Students At Risk of School Failure	47,187
3577 Teacher Supplies	6,500
3585 Aid to Districts - Special Education	5,933
3597 Aid to Districts	9,603
3599 Other EIA	947

Total State Sources	<u>102,970</u>
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Total Revenue All Sources	<u>102,970</u>
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Expenditures

100 Instruction

110 General Instruction	
113 Elementary Programs	
100 Salaries	22,500
300 Purchased Services	2,800
400 Supplies and Materials	47,312
500 Capital Outlay	8,600
120 Exceptional Programs	
127 Learning Disabilities	
100 Salaries	5,933

Total Instruction	<u>87,145</u>
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200 Support Services

210 Support Services - Students	
212 Guidance Services	
400 Supplies and Materials	285
215 Exceptional Program Services	
300 Purchased Services	6,700

**RIVERVIEW CHARTER SCHOOL
 BEAUFORT, SOUTH CAROLINA
 SPECIAL REVENUE FUND - EDUCATION IMPROVEMENT ACT FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - ALL PROGRAMS
 YEAR ENDED JUNE 30, 2012**

220 Instructional Staff Services	
221 Improvement of Instruction Curriculum Development	
100 Salaries	7,500
224 Improv. of Instr. - In-service and Staff Training	
300 Purchased Services	1,340
Total Support Services	15,825
Total Expenditures	102,970
Net Change in Fund Balance	-
Fund Balance - July 1, 2011	-
Fund Balance - June 30, 2012	\$ -

**RIVERVIEW CHARTER SCHOOL
 BEAUFORT, SOUTH CAROLINA
 SPECIAL REVENUE FUND - EDUCATION IMPROVEMENT ACT
 SUMMARY SCHEDULE BY PROGRAM
 YEAR ENDED JUNE 30, 2012**

Program	<u>Revenues</u>	<u>Expenditures</u>
3500 Education Improvement Act:		
3502 ADEPT	\$ 2,800	\$ 2,800
3532 National Board Certified	30,000	30,000
3538 Students At Risk of School Failure	47,187	47,187
3577 Teacher Supplies	6,500	6,500
3585 Aid to Districts - Special Education	5,933	5,933
3597 Aid to Districts	9,603	9,603
3599 Other EIA	947	947
	<hr/>	<hr/>
Totals	<u>\$ 102,970</u>	<u>\$ 102,970</u>

PROPRIETARY FUND - ENTERPRISE FUND

The enterprise fund records the financing, operation and maintenance of the Food Service Fund. The Food Service Fund operates in a manner similar to a private business enterprise. The fund's purpose is to provide balanced nutritional meals to School District students, some of which are free and reduced meals under the United States Department of Agriculture school breakfast and lunch programs.

**RIVERVIEW CHARTER SCHOOL
 BEAUFORT, SOUTH CAROLINA
 FOOD SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
 YEAR ENDED JUNE 30, 2012**

Revenues

1000 Revenue from Local Sources

1600 Food Service:

1610 Lunch Sales to Pupils \$ 58,285

1999 Revenue from Other Local Sources 1,000

Total Local Sources 59,285

4000 Revenue from Federal Sources

4800 USDA Reimbursement:

4810 School Lunch and After School Snacks Program 44,370

4900 Other Federal Sources:

4991 USDA Commodities 6,643

Total Federal Sources 51,013

Total Revenue All Sources 110,298

Expenditures

256 Food Services:

100 Salaries 47,915

200 Employee Benefits 10,249

300 Purchased Services 170

400 Supplies and Materials

410 Supplies 2,919

460 Food Purchases 45,424

500 Capital Outlay

570 Depreciation 353

Total Expenditures 107,030

**RIVERVIEW CHARTER SCHOOL
 BEAUFORT, SOUTH CAROLINA
 FOOD SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
 YEAR ENDED JUNE 30, 2012**

Excess (Deficiency) of Revenues over Expenditures	3,268
Other Financing Sources (Uses)	
420-710 Transfers to General Fund	(3,621)
	<hr/>
Total Other Financing Sources (Uses)	(3,621)
	<hr/>
Change in Net Assets	(353)
Fund Balance - July 1, 2011	2,342
	<hr/>
Fund Balance - June 30, 2012	\$ 1,989
	<hr/> <hr/>

COMPLIANCE SECTION

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

Independent Auditors' Report

To the Board of Directors
Riverview Charter School
Beaufort, South Carolina

We have audited the basic financial statements of Riverview Charter School (the School), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-1 through 2012-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-3 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McCay, Kiddy & Associates, LLC

October 11, 2012

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of report issued:	Unqualified
Internal control over financial reporting: Material weaknesses identified?	_____ X _____ Yes _____ No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ X _____ Yes _____ No
Non-compliance material to financial statements noted?	_____ Yes _____ X _____ No

II. FINANCIAL STATEMENTS FINDINGS

2012-1 Application of Generally Accepted Accounting Principles

Criteria: Internal controls are an integral part of the financial reporting function. The *Statement on Auditing Standards* (SAS) state that an entity's internal control responsibilities extend to the preparation of the financial statements, including required disclosures.

Condition: Management and employees responsible for the accounting and reporting function lack the familiarity to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing the financial statements.

Context: The School relies on the auditing firm to advise them of the requirements of GAAP.

Effect: The School's financial statements could not be in compliance with GAAP and the entity may not be aware of it.

Recommendation: Recommend the School hire or contract with an experienced professional that can advise them on GAAP requirements.

Response: The School will continue to rely on the outside consulting firm to oversee the auditing firm's application of generally accepted accounting principles and other nonattest services provided to them. The School's budget does not allow for the hiring of an experienced certified public accountant and does not see the advantage of any cost-benefit analysis related to this deficiency.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

2012-2 Material Audit Adjustments

- Criteria:** An entity's internal control responsibility extends to include that a complete set of books be provided to the audit firm. A complete set of books consists of all material adjustments being recorded in the School's books, or the adjustments are provided to the auditor at the start of the audit.
- Condition:** The School's internal control functions did not identify material misstatements.
- Context:** In order for the School's financial statements not to be materially misstated, we as auditors had to propose material adjustments to the financial statements that were not initially identified by the entities internal controls.
- Effect:** The financial statements did not present fairly until the auditors' proposed adjustments were recorded.
- Recommendation:** The School in conjunction with their consulting firm, should strive to have all material accounts reconciled and adjusted prior to providing the auditors with the trial balance to begin auditing. If a needed adjustment is identified but not made by the School, the School can advise the auditors that such adjustment needs to be made at the start of fieldwork.
- Response:** The School and its consulting firm will review the accounts that were in need of adjusting for the June 30, 2012 audit, and ensure they are reconciled and adjusted prior to the audit for the next School year.

2012-3 Cash Reconciliations

- Criteria:** Cash reconciliations at the end of each month should agree to the trial balance.
- Condition:** Cash reconciliations throughout the year do not agree to the trial balance. Transactions in QuickBooks are being changed after closing the month end.
- Context:** As part of our testing of cash we identified several months where the cash reconciliation was different from the trial balance.
- Effect:** These modifications can change prior period audit balances and previously issued management/board reports. The Board and management will make decisions based on incorrect financial information.
- Recommendation:** We recommend the School in conjunction with their consulting firm set monthly closing dates to avoid changing transactions that affect cash after the reconciliation and management/board reports.
- Response:** The consulting firm will continue to void checks in the usual way in Quickbooks knowing that it will sometimes cross over months because those differences are captured in the budget statements presented to the board. The consulting firm will use the journal entry method of voiding checks when the void crosses fiscal years so that all will be in order at year end.

**RIVERVIEW CHARTER SCHOOL
BEAUFORT, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

III. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Condition: Various account balances did not agree to prior year audited balances due to changes being made to QuickBooks after the records were turned over to the auditor and prior year audit adjustments being posted incorrectly.

Recommendation: The School in conjunction with their consulting firm, should not code any transactions to a prior year once the records are turned over to the auditor, unless the change is communicated with the auditor.

Status: Corrective action taken.