



**Auditor of State  
Betty Montgomery**



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

River Valley Local School District  
Marion County  
197 Brocklesby Road  
Caledonia, Ohio 43314

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is 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. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 22, 2006

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

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The discussion and analysis of River Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Highlights for fiscal year 2005 are as follows:

In total, net assets decreased \$222,390, or less than 1 percent, an insignificant change from the prior fiscal year.

General revenues were \$13,270,934, or 80 percent of total revenues, and reflect the School District's continued dependence on property taxes and unrestricted state entitlements.

The School District continues to use the five-year forecast as the main financial management tool to determine future levies and/or adjustments to the budget. Assumptions are reviewed carefully by the River Valley Finance Committee to determine their reasonableness. Budget reductions in fiscal years 2004 and 2005, along with a reverse in the trend of outgoing open enrollment, have given the School District the ability to consider various options regarding the timing for asking voters for new monies. Rather than a "wait and see" attitude, the strategy of this Board of Education is to react as events occur and this has proven to be effective at this point.

The taxing climate in Marion County continues to be problematic. The success rate for all governmental entities, and in particular school districts, in this County continues to be one of the lowest in the State. When considering the timing of a levy for new monies, the Board must consider this environment. The Board also has to consider the impact on the homeowner as our tangible personal property value is being reduced. River Valley's tangible personal property value was 18 percent of its total value in Tax Year 2004 and even though current levies will have a revenue replacement mechanism as a result of HB 66, new levies will not, and this will result in the shifting of our tax base to our resident payers.

The School District continues to be self insured for employee medical/drug insurance; OME-RESA Health Benefits serves as the administrator of the insurance plan with Self Funded Plans being the third party administrator. The School District's Employee Benefits Committee reviews the plan annually in an attempt to look at plan design modifications to contain costs. In fiscal year 2005, the Board of Education transferred \$200,000 from the General Fund to the Employee Benefit Fund in order to reduce the deficit; however, at June 30, 2005, the Employee Benefits Fund continued to have a deficit balance.

Both the River Valley Employee's Association and the River Valley Teacher's Association agreed to three-year contracts in fiscal year 2005. The RVEA contract covers July 1, 2004, to June 30, 2007, and the RVTA contract covers the period from July 1, 2005, to June 30, 2008. Both contracts included concessions on health insurance which will limit the Board's exposure to increases in the future.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

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The School District's five-year forecast has a positive carryover balance going into fiscal year 2009. Our enrollment has increased with the biggest impact coming from a net increase as a result of open enrollment. High utility and fuel costs, along with special education expenditures, continue to be a challenge to the School District's budget and the increased revenue from the open enrollment has helped to manage these increases. Elementary teachers have been added to reduce class size as a result of the increased ADM.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand River Valley Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For River Valley Local School District, the General Fund, Bond Retirement debt service fund, and Ohio School Facilities Commission capital projects fund are the most significant funds.

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District activities are reported as governmental activities, including instruction, support services, non-instructional services, and extracurricular activities.

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

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, Bond Retirement debt service fund, and Ohio School Facilities Commission capital projects fund.



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Proprietary Fund - The internal service fund is an accounting device used to accumulate and allocate costs internally among the School District's other programs and activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2005 and fiscal year 2004:

Table 1  
Net Assets

	Governmental Activities	
	2005	2004
<u>Assets:</u>		
Current and Other Assets	\$13,464,570	\$14,044,686
Capital Assets, Net	41,851,393	42,219,456
Total Assets	55,315,963	56,264,142
<u>Liabilities:</u>		
Current and Other Liabilities	7,558,943	7,573,715
Long-Term Liabilities	18,801,963	19,512,980
Total Liabilities	26,360,906	27,086,695
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	23,823,185	23,521,717
Restricted	3,394,926	3,787,753
Unrestricted	1,736,946	1,867,977
Total Net Assets	\$28,955,057	\$29,177,447

A review of the above table demonstrates very little in change in assets, liabilities, or net assets. Two items of note within current and other assets include a \$556,730 (approximately 10 percent) decrease in cash and cash equivalents due to construction activities coming to a close on the new bus garage, the final undertaking in the district-wide construction project. Cash resources were spent for remaining construction commitments and related retainage. In addition, intergovernmental receivables decreased approximately 53 percent as these resources were received within the fiscal year, unlike the prior fiscal year.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Several items of note within current and other liabilities include the decrease in accounts payable, contracts payable, and retainage payable, also related to the completion of construction activities.

The combination of changes in the above items led to the decrease in both restricted and unrestricted net assets.

Table 2 reflects the change in net assets for fiscal year 2005 and 2004.

Table 2  
Change in Net Assets

	Governmental Activities	
	2005	2004
<u>Revenues:</u>		
Program Revenues		
Charges for Services	\$2,164,629	\$579,511
Operating Grants, Contributions, and Interest	1,131,883	1,063,927
Capital Grants and Contributions	87,652	48,310
Total Program Revenues	<u>3,384,164</u>	<u>1,691,748</u>
General Revenues		
Property Taxes Levied for General Purposes	6,559,714	6,470,019
Property Taxes Levied for Classroom Facilities Maintenance	112,108	112,807
Property Taxes Levied for Debt Service	1,368,675	1,402,968
Property Taxes Levied for Permanent Improvements	100	49,498
Grants and Entitlements	4,904,674	5,721,065
Interest	106,895	72,904
Gifts and Donations	1,200	1,000
Miscellaneous	217,568	53,932
Total General Revenues	<u>13,270,934</u>	<u>13,884,193</u>
Total Revenues	<u>16,655,098</u>	<u>15,575,941</u>
<u>Expenses:</u>		
Instruction:		
Regular	\$8,326,223	\$7,664,302
Special	974,840	885,993
Vocational	161,802	269,429
Support Services:		
Pupils	447,491	434,458
Instructional Staff	844,674	869,791
Board of Education	11,419	9,517
Administration	1,270,686	1,276,299
Fiscal	531,417	477,050
Business	13,042	0
Operation and Maintenance of Plant	1,338,891	3,140,333
Pupil Transportation	864,239	926,582
Central	38,172	50,913
Non-Instructional Services	645,135	623,043
Extracurricular Activities	546,836	597,067
Interest and Fiscal Charges	862,621	888,655
Total Expenses	<u>16,877,488</u>	<u>18,113,432</u>
Increase (Decrease ) in Net Assets	<u>(\$222,390)</u>	<u>(\$2,537,491)</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Program revenues represent approximately 20 percent of total revenues and are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues. There was an increase in program revenues from all three major sources. The charges for services increase is the result of both open enrollment and extracurricular participation fees. Slight increases in operating grants occurred across all programs receiving these monies; however no one program stands out, and the increase in capital grants is related to transportation.

As stated previously, general revenues represent 80 percent of the School District's total revenues, and of this amount, over 60 percent is the result of property taxes. Grants and entitlements, primarily State foundation resources make up 37 percent of the School District's general revenues. Other revenue sources, such as interest and donations are somewhat unpredictable revenue sources.

The major program expense for governmental activities, as expected, is for instruction, which accounts for almost 56 percent of all governmental expenses, and slightly greater than the prior fiscal year. The instruction category, however, does not include all activities associated with educating students as the pupils, instructional staff, and pupil transportation costs have a significant role in delivering education. A comparison to the prior fiscal year demonstrates a significant change in operation and maintenance costs. This decrease can be tied to the costs associated with the new buildings. In fiscal year 2004, the School District purchased many assets including furniture, fixtures, and equipment for the new facilities. Many of these items were below the School District's threshold amount for capitalizing assets and were expensed in fiscal year 2004. In addition, the School District incurred some asbestos removal and demolition costs associated with its former school buildings in 2004; these were one time costs not incurred in 2005.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction:				
Regular	\$8,326,223	\$7,664,302	\$6,757,189	\$7,536,736
Special	974,840	885,993	252,055	204,085
Vocational	161,802	269,429	132,543	234,473
Support Services:				
Pupils	447,491	434,458	433,847	420,908
Instructional Staff	844,674	869,791	844,674	869,791
Board of Education	11,419	9,517	11,419	9,517
Administration	1,270,686	1,276,299	1,270,686	1,276,299
Fiscal	531,417	477,050	531,417	477,050
Business	13,042	0	13,042	0
Operation and Maintenance of Plant	1,338,891	3,140,333	1,338,891	3,140,333
Pupil Transportation	864,239	926,582	792,442	906,917
Central	38,172	50,913	26,172	38,913
Non-Instructional Services	645,135	623,043	58,441	111,481
Extracurricular Activities	546,836	597,067	167,885	306,526
Interest and Fiscal Charges	862,621	888,655	862,621	888,655
<b>Total Expenses</b>	<b><u>\$16,877,488</u></b>	<b><u>\$18,113,432</u></b>	<b><u>\$13,493,324</u></b>	<b><u>\$16,421,684</u></b>

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

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The dependence upon tax revenues and unrestricted state entitlements for governmental activities was lessened in fiscal year 2005 due to the implementation of an extracurricular fee with the goal to have a self supporting athletic and music program. However, only a very few of the School District's programs receive a significant amount of program revenues to offset their costs. Again in fiscal year 2005, one of these programs was special instruction which provides for 74 percent of program costs through program revenues, much of this in the form of operating grants restricted for special instruction purposes. Almost 91 percent of non-instructional services were provided for through program revenues. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. As stated previously due to the implementation of an extracurricular fee over 69 percent of extracurricular activities expenses are covered by program revenues.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates a decrease in fund balance for the General Fund and an increase in fund balance for both the Bond Retirement debt service fund and the Ohio School Facilities Commission Fund. While the percentage of the increase in either fund was not significant, it is notable that revenues exceeded expenditures for both.

The decrease in the fund balance in the General Fund can be primarily attributed to the \$200,000 transfer to the Employee Benefits Fund to offset that fund's operating costs. This transfer represented 73 percent of the change in fund balance. With the completion of the Ohio School Facilities Project, that fund's fund balance will be distributed in accordance with the Ohio Revised Code.

**General Fund Budgeting Highlights**

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

During fiscal year 2005, the School District amended its General Fund budget as needed. For revenues, changes from the original to final budget and from the final budget to actual revenues were not significant. This too was the case for expenditures as change from original to final budget or final budget to actual expenditures were minor.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the School District had \$41,851,393 invested in capital assets (net of accumulated depreciation), a decrease of less than 1 percent. The major additions consisted of construction of a new bus garage as well as a new bus. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

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Debt

The School District's outstanding debt at June 30, 2005, included School Improvement and School Bus general obligation bonds, in the amount of \$17,930,000 and \$58,333, respectively. There were also outstanding capital leases for equipment, in the amount of \$18,512, and a loan for the purchase of land, in the amount of \$21,362. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 15 and 16 to the basic financial statements.

**Current Issues**

The School District's five-year forecast continues to be the instrument used to make future decisions with regard to program and funding strategies. With budget modifications in the way of reductions and realignment the School District has been able to forecast a positive cash carryover going into fiscal year 2009. The dynamics in the School District are changing rapidly with the passage of HB66 and the phasing out of tangible personal property value at a much more rapid decline than in previous law. Two implications to this School District in the future will be an increased reliance on State aide (property value is a key component of the State aide formula) and a shifting of taxes paid from the tangible personal property payer to the homeowner.

Reaching an agreement with the River Valley Education Association and the River Valley Teachers Association went a long way in being able to forecast a reasonable assumption with regard to one of the fastest growing expenditure line items in the School District - health care. The ability to forecast that health care expenditures will not exceed 10 percent has allowed the School District to focus on a more reliable strategy when looking at future revenues and expenditures. The fear of this unknown has been eliminated, at least for the next several years.

The turn around in open enrollment students coming into the School District at a greater rate than those leaving continues to be a bright spot. However, the loss of revenue to charter schools is a significant unknown. In fiscal year 2005, the River Valley community school opened with the River Valley School District as its sponsor. The Board has a responsibility as the sponsor to monitor this community school to ensure accountability and this, along with other community school options, will also be a major focus for future funding and programming decisions.

With the completion of the bus garage in fiscal year 2005, all construction has been completed and we will be better able to determine more accurately the operational needs of the buildings. In fiscal year 2005, the School District sold the land where the former Waldo Elementary was located to the Waldo Township Trustees for a price of \$60,000. The acreage at the former Caledonia Elementary went up for public auction in May 2005, with bids coming in at \$99,000 for the four lots sold in fiscal year 2006. The old high school/middle school campus is in the final stages of remediation and the Board is looking at its options on the disposal of this property.

At the December 2005 regular board meeting, the Board passed a resolution agreeing to support the Marion County Commissioners in approving a tax increment financing agreement for property being developed within the River Valley Local School District. If this development materializes as planned, the School District could begin receiving pilot payment (payments in lieu of taxes) as early as 2008 which will have a significant impact on the levy decisions of this School District. There is also the possibility of two additional TIF agreements forthcoming but public sentiment may deter these arrangements.

RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sharon Malcom, Treasurer, River Valley Local School District, 197 Brocklesby Road, Caledonia, Ohio 43314.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF NET ASSETS  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT  
JUNE 30, 2005**

	Primary Government	Component Unit
	Governmental Activities	River Valley Digital Academy
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$5,105,435	\$35,295
Cash and Cash Equivalents with Fiscal Agent	1,551	0
Cash and Cash Equivalents with Escrow Agent	2,056	0
Accounts Receivable	10,072	0
Intergovernmental Receivable	158,760	0
Prepaid Items	29,613	9,900
Inventory Held for Resale	13,454	0
Materials and Supplies Inventory	35,104	0
Property Taxes Receivable	8,108,525	0
Nondepreciable Capital Assets	1,074,607	0
Depreciable Capital Assets, Net	40,776,786	47,360
Total Assets	55,315,963	92,555
<u>Liabilities:</u>		
Accounts Payable	50,597	0
Accrued Wages and Benefits Payable	1,156,254	0
Intergovernmental Payable	337,881	0
Retainage Payable	2,056	0
Deferred Revenue	5,577,185	0
Accrued Interest Payable	142,844	0
Claims Payable	292,126	0
Long-Term Liabilities:		
Due Within One Year	719,224	0
Due in More Than One Year	18,082,739	0
Total Liabilities	26,360,906	0
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	23,823,185	47,360
Restricted For:		
Debt Service	1,096,039	0
Capital Projects	1,726,462	0
Other Purposes	572,425	0
Unrestricted	1,736,946	45,195
Total Net Assets	\$28,955,057	\$92,555

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF ACTIVITIES  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$8,326,223	\$1,484,631	\$68,548	\$15,855
Special	974,840	10,105	712,680	0
Vocational	161,802	0	29,259	0
Support Services:				
Pupils	447,491	0	13,644	0
Instructional Staff	844,674	0	0	0
Board of Education	11,419	0	0	0
Administration	1,270,686	0	0	0
Fiscal	531,417	0	0	0
Business	13,042	0	0	0
Operation and Maintenance of Plant	1,338,891	0	0	0
Pupil Transportation	864,239	0	0	71,797
Central	38,172	0	12,000	0
Non-Instructional Services	645,135	425,343	161,351	0
Extracurricular Activities	546,836	244,550	134,401	0
Interest and Fiscal Charges	862,621	0	0	0
<b>Total Governmental Activities</b>	<b>\$16,877,488</b>	<b>\$2,164,629</b>	<b>\$1,131,883</b>	<b>\$87,652</b>
<u>Component Unit</u>				
River Valley Digital Academy	\$220,985	\$0	\$113,328	\$0

General Revenues:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Classroom Facilities Maintenance  
Property Taxes Levied for Debt Service  
Property Taxes Levied for Permanent Improvements  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Gifts and Donations  
Miscellaneous  
**Total General Revenues**

Change in Net Assets

Net Assets at Beginning of Year  
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements



Net (Expense) Revenue  
and Change in Net Assets

Governmental Activities	River Valley Digital Academy
(\$6,757,189)	\$0
(252,055)	0
(132,543)	0
(433,847)	0
(844,674)	0
(11,419)	0
(1,270,686)	0
(531,417)	0
(13,042)	0
(1,338,891)	0
(792,442)	0
(26,172)	0
(58,441)	0
(167,885)	0
(862,621)	0
<u>(13,493,324)</u>	<u>0</u>
 0	 (107,657)
 6,559,714	 0
112,108	0
1,368,675	0
100	0
4,904,674	173,994
106,895	0
1,200	0
217,568	0
<u>13,270,934</u>	<u>173,994</u>
 (222,390)	 66,337
 29,177,447	 26,218
<u>\$28,955,057</u>	<u>\$92,555</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,131,730	\$759,702	\$1,516,925	\$697,078	\$5,105,435
Cash and Cash Equivalents					
with Fiscal Agent	0	0	0	1,551	1,551
Accounts Receivable	7,125	0	0	2,947	10,072
Intergovernmental Receivable	12,150	1,182	21,508	123,920	158,760
Interfund Receivable	89,060	0	0	0	89,060
Prepaid Items	29,613	0	0	0	29,613
Inventory Held for Resale	0	0	0	13,454	13,454
Materials and Supplies Inventory	33,512	0	0	1,592	35,104
Restricted Assets:					
Cash and Cash Equivalents with Escrow Agent	0	0	2,056	0	2,056
Property Taxes Receivable	6,592,134	1,390,347	0	126,044	8,108,525
<b>Total Assets</b>	<b>\$8,895,324</b>	<b>\$2,151,231</b>	<b>\$1,540,489</b>	<b>\$966,586</b>	<b>\$13,553,630</b>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$41,696	\$0	\$0	\$8,901	\$50,597
Accrued Wages and Benefits Payable	1,089,304	0	0	66,950	1,156,254
Intergovernmental Payable	309,917	0	0	27,964	337,881
Interfund Payable	0	0	0	66,575	66,575
Payable from Restricted Assets:					
Retainage Payable	0	0	2,056	0	2,056
Deferred Revenue	4,901,753	983,266	21,508	154,185	6,060,712
<b>Total Liabilities</b>	<b>6,342,670</b>	<b>983,266</b>	<b>23,564</b>	<b>324,575</b>	<b>7,674,075</b>
<u>Fund Balances:</u>					
Reserved for Interfund Receivable	25,000	0	0	0	25,000
Reserved for Property Taxes	1,708,122	408,151	0	32,865	2,149,138
Reserved for Encumbrances	33,107	0	0	94,372	127,479
Unreserved, Designated for Budget Stabilization	85,600	0	0	0	85,600
Unreserved, Undesignated Reported in:					
General Fund	700,825	0	0	0	700,825
Special Revenue Funds	0	0	0	335,957	335,957
Debt Service Fund	0	759,814	0	0	759,814
Capital Projects Funds	0	0	1,516,925	178,817	1,695,742
<b>Total Fund Balances</b>	<b>2,552,654</b>	<b>1,167,965</b>	<b>1,516,925</b>	<b>642,011</b>	<b>5,879,555</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$8,895,324</b>	<b>\$2,151,231</b>	<b>\$1,540,489</b>	<b>\$966,586</b>	<b>\$13,553,630</b>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005**

Total Governmental Fund Balances \$5,879,555

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 41,851,393

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	15,822	
Intergovernmental Receivable	86,394	
Property Taxes Receivable	<u>381,311</u>	
		483,527

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(142,844)	
School Improvement Bonds Payable	(17,930,000)	
School Bus Bonds Payable	(58,334)	
Compensated Absences Payable	(773,755)	
Capital Leases Payable	(18,512)	
Loan Payable	<u>(21,362)</u>	
		(18,944,807)

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.

(314,611)

Net Assets of Governmental Activities \$28,955,057

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$6,531,875	\$1,369,724	\$0	\$111,779	\$8,013,378
Intergovernmental	5,004,914	147,273	80,936	856,536	6,089,659
Interest	93,134	0	13,746	6,008	112,888
Tuition and Fees	1,483,634	0	0	27,942	1,511,576
Extracurricular Activities	7,970	0	0	339,589	347,559
Charges for Services	0	0	0	385,002	385,002
Gifts and Donations	1,200	0	0	0	1,200
Miscellaneous	84,887	0	0	151,362	236,249
<b>Total Revenues</b>	<b>13,207,614</b>	<b>1,516,997</b>	<b>94,682</b>	<b>1,878,218</b>	<b>16,697,511</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	7,747,000	0	0	107,007	7,854,007
Special	613,267	0	0	346,013	959,280
Vocational	140,807	0	0	3,849	144,656
<b>Support Services:</b>					
Pupils	368,395	0	0	75,684	444,079
Instructional Staff	535,891	0	0	297,305	833,196
Board of Education	11,419	0	0	0	11,419
Administration	1,183,612	0	0	22,439	1,206,051
Fiscal	498,148	32,334	0	3,554	534,036
Business	13,042	0	0	0	13,042
Operation and Maintenance of Plant	1,202,653	0	0	8,999	1,211,652
Pupil Transportation	812,504	0	0	1,039	813,543
Central	32,073	0	0	7,715	39,788
Non-Instructional Services	259	0	0	580,944	581,203
Extracurricular Activities	13,981	0	0	374,195	388,176
Capital Outlay	0	0	60,102	494,937	555,039
<b>Debt Service:</b>					
Principal Retirement	99,531	570,000	0	0	669,531
Interest and Fiscal Charges	9,267	860,106	0	0	869,373
<b>Total Expenditures</b>	<b>13,281,849</b>	<b>1,462,440</b>	<b>60,102</b>	<b>2,323,680</b>	<b>17,128,071</b>
Excess of Revenues Over (Under) Expenditures	(74,235)	54,557	34,580	(445,462)	(430,560)
<b>Other Financing Sources (Uses):</b>					
Sale of Capital Assets	0	0	0	60,000	60,000
Transfers Out	(200,000)	0	0	0	(200,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(200,000)</b>	<b>0</b>	<b>0</b>	<b>60,000</b>	<b>(140,000)</b>
<b>Changes in Fund Balances</b>	<b>(274,235)</b>	<b>54,557</b>	<b>34,580</b>	<b>(385,462)</b>	<b>(570,560)</b>
Fund Balances at Beginning of Year	2,826,889	1,113,408	1,482,345	1,027,473	6,450,115
Fund Balances at End of Year	<u>\$2,552,654</u>	<u>\$1,167,965</u>	<u>\$1,516,925</u>	<u>\$642,011</u>	<u>\$5,879,555</u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Changes in Fund Balances - Total Governmental Funds (\$570,560)

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

Governmental funds report capital outlays as expenditures.

However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current fiscal year:

Capital Outlay - Construction in Progress	327,108	
Capital Outlay - Depreciable Capital Assets	230,503	
Depreciation	<u>(913,940)</u>	(356,329)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(60,000)	
Gain on Disposal of Capital Assets	52,859	
Loss on Disposal of Capital Assets	<u>(4,593)</u>	(11,734)

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

Property Taxes	27,219	
Intergovernmental	(107,344)	
Tuition and Fees	(16,850)	
Extracurricular Activities	1,950	
Charges for Services	155	
Miscellaneous	<u>(417)</u>	(95,287)

Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 669,531

Interest is reported as an expenditure when due in governmental funds, but is accrued on outstanding debt on the statement of net assets. 6,752

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

Intergovernmental Payable	99,246	
Special Terminations Benefits Payable	5,072	
Compensated Absences Payable	<u>41,486</u>	145,804

The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.

Interest Revenue	15	
Transfers In	200,000	
Allocated to Activities	<u>(210,582)</u>	<u>(10,567)</u>

Change in Net Assets of Governmental Activities (\$222,390)

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Revenues:</b>				
Property Taxes	\$6,079,014	\$6,490,231	\$6,511,922	\$21,691
Income Taxes	0	3,600	0	(3,600)
Intergovernmental	4,942,994	5,015,326	5,004,914	(10,412)
Interest	60,000	75,000	93,146	18,146
Tuition and Fees	59,000	255,249	1,484,062	1,228,813
Extracurricular Activities	10,000	10,000	7,970	(2,030)
Gifts and Donations	3,200	1,200	1,200	0
Miscellaneous	68,000	71,686	75,812	4,126
<b>Total Revenues</b>	<b>11,222,208</b>	<b>11,922,292</b>	<b>13,179,026</b>	<b>1,256,734</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,663,497	6,514,308	7,759,691	(1,245,383)
Special	557,807	587,383	617,858	(30,475)
Vocational	160,087	145,087	145,592	(505)
<b>Support Services:</b>				
Pupils	392,408	408,713	377,103	31,610
Instructional Staff	515,117	502,649	519,016	(16,367)
Board of Education	10,950	10,950	11,545	(595)
Administration	1,193,168	1,279,436	1,201,919	77,517
Fiscal	474,424	469,100	486,875	(17,775)
Business	0	15,500	12,989	2,511
Operation and Maintenance of Plant	1,203,006	1,255,302	1,239,153	16,149
Pupil Transportation	822,602	810,842	839,549	(28,707)
Central	50,706	51,218	28,528	22,690
Non-Instructional Services	0	0	259	(259)
Extracurricular Activities	11,950	11,950	14,007	(2,057)
Capital Outlay	5,000	0	0	0
<b>Debt Service:</b>				
Principal Retirement	78,943	78,776	78,776	0
Interest and Fiscal Charges	6,381	4,832	4,832	0
<b>Total Expenditures</b>	<b>12,146,046</b>	<b>12,146,046</b>	<b>13,337,692</b>	<b>(1,191,646)</b>
Excess of Revenues				
Under Expenditures	(923,838)	(223,754)	(158,666)	65,088
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	0	0	6,116	6,116
Transfers Out	0	(200,000)	(200,000)	0
Advances In	25,000	25,000	25,000	0
<b>Total Other Financing Sources (Uses)</b>	<b>25,000</b>	<b>(175,000)</b>	<b>(168,884)</b>	<b>6,116</b>
Changes in Fund Balance	(898,838)	(398,754)	(327,550)	71,204
Fund Balance at Beginning of Year	2,179,131	2,179,131	2,179,131	0
Prior Year Encumbrances Appropriated	245,701	245,701	245,701	0
<b>Fund Balance at End of Year</b>	<b>\$1,525,994</b>	<b>\$2,026,078</b>	<b>\$2,097,282</b>	<b>\$71,204</b>

See Accompanying Notes to the Basic Financial Statements

RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY

STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2005

	Governmental Activity
	<u>Internal Service</u>
<u>Current Assets:</u>	<u>\$0</u>
<u>Current Liabilities:</u>	
Interfund Payable	22,485
Claims Payable	<u>292,126</u>
Total Current Liabilities	<u>314,611</u>
<u>Net Assets:</u>	
Unrestricted (Deficit)	<u><u>(\$314,611)</u></u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Governmental Activity</u> <u>Internal Service</u>
<u>Operating Revenues:</u>	
Charges for Services	\$1,497,930
Other	266,216
Total Operating Revenues	<u>1,764,146</u>
<u>Operating Expenses:</u>	
Purchased Services	546,936
Claims	1,427,792
Total Operating Expenses	<u>1,974,728</u>
Operating Loss	(210,582)
<u>Non-Operating Revenue:</u>	
Interest	<u>15</u>
Loss Before Transfers	(210,567)
Transfers In	<u>200,000</u>
Change in Net Assets	(10,567)
Net Assets (Deficit) at Beginning of Year	<u>(304,044)</u>
Net Assets (Deficit) at End of Year	<u><u>(\$314,611)</u></u>

See Accompanying Notes to the Basic Financial Statements



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Governmental Activity
	Internal Service
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Transactions with Other Funds	\$1,497,930
Cash Payments for Goods and Services	(546,936)
Cash Payments for Claims	(1,304,826)
Cash Received from Other Revenues	266,216
Net Cash Used for Operating Activities	(87,616)
 <u>Cash Flows from Non-Capital Financing Activities:</u>	
Cash Payments to Other Funds	(112,399)
Transfers In	200,000
Net Cash Provided by Non-Capital Financing Activities	87,601
 <u>Cash Flows from Investing Activities:</u>	
Interest	15
 Net Increase in Cash and Cash Equivalents	0
Cash and Cash Equivalents at Beginning of Year	0
Cash and Cash Equivalents at End of Year	\$0
 Reconciliation of Operating Loss <u>to Net Cash Used for Operating Activities:</u>	
Operating Loss	(210,582)
 Adjustments to Reconcile Operating Loss <u>to Net Cash Used for Operating Activities:</u>	
Increase in Claims Payable	122,966
Net Cash Used for Operating Activities	(\$87,616)

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,500	\$96,946
<u>Liabilities:</u>		
Due to Students	0	\$95,782
Undistributed Assets	0	1,164
Total Liabilities	0	\$96,946
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$1,500	

See Accompanying Notes to the Basic Financial Statements

RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<u>Additions:</u>	
Miscellaneous	\$1,500
<u>Deductions:</u>	<u>0</u>
Change in Net Assets	1,500
Net Assets at Beginning of Year	<u>0</u>
Net Assets at End of Year	<u><u>\$1,500</u></u>

See Accompanying Notes to the Basic Financial Statements

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**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**Note 1 - Description of the School District and Reporting Entity**

River Valley Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred thirty-one square miles. It is located in Marion and Morrow Counties, and includes all of the Village of Caledonia, Claridon, Martel, and Waldo. The School District is the 302<sup>nd</sup> largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by sixty-nine classified employees, one hundred fourteen certified teaching personnel, and seven administrative employees who provide services to 1,787 students and other community members. The School District currently operates four instructional buildings, an administration building, and a bus garage.

**Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The component unit column on the financial statements identifies the financial data of the School District's component unit, River Valley Digital Academy (RVDA). It is reported separately to emphasize that it is legally separate from the School District. Information about this component unit is presented in Note 21 to the basic financial statements.

River Valley Digital Academy. RVDA is a legally separate, not-for-profit corporation. RVDA, under a contractual agreement with the River Valley Local School District, provides education opportunities by combining state-of-the-art digital curriculum and instruction with access to local school resources that complement that instruction. River Valley Local School District is RVDA's sponsoring government and RVDA's five member Board of Directors is appointed by River Valley Local School District's Board of Education. River Valley Local School District is financially accountable for RVDA as it appoints RVDA's Board and can impose its will on RVDA. RVDA is reported as a discretely presented component unit on River Valley Local School District's financial statements.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 1 - Description of the School District and Reporting Entity** (continued)

The School District participates in six jointly governed organizations and an insurance pool. These organizations are the Tri-Rivers Educational Computer Association; the Tri-Rivers Joint Vocational School; the North Central Regional Professional Development Center; the North Central Ohio Special Education Regional Resource Center; the Northwestern Ohio Educational Research Council, Inc.; the Metropolitan Educational Council; and the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

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

The basic financial statements of River Valley Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Fund Financial Statements

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories, governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund.

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

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for and the payment of principal and interest on general obligation bonds for the construction of two elementary schools, a middle school, and a high school.

Ohio School Facilities Commission Fund - The Ohio School Facilities Commission capital projects fund accounts for the construction of two elementary schools, a middle school, and a high school.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, change in net assets, financial position, and cash flows. The School District reports one type of proprietary fund, an internal service fund:

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

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

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

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of revenues, expenses, and change in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its proprietary fund.



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the proprietary fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions**

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Revenues**

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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

**E. Budgetary Process**

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

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

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

**F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents held for the School District by the North Central Ohio Educational Service Center are reflected as "Cash and Cash Equivalents with Fiscal Agent".

Cash and cash equivalents that are held separately for the School District by an escrow agent for retainage on contracts are recorded as "Cash and Cash Equivalents with Escrow Agent".

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

During fiscal year 2005, investments included federal agency securities, mutual funds, and STAR Ohio. Federal agency securities are reported at fair value, which is based on quoted market price. Mutual funds are reported at current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2005 was \$93,134, which includes \$32,130 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted assets in the Ohio School Facilities Commission capital projects fund represent escrow accounts established for the payment of retainage on construction projects upon completion.

**J. Capital Assets**

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	0 - 40 years
Buildings and Building Improvements	20 - 75 years
Furniture, Fixtures, and Equipment	3 - 45 years
Vehicles	10 years

**K. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

**M. Accrued Liabilities and Long-Term Obligations**

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

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. As of June 30, 2005, net assets restricted by enabling legislation were \$1,563,868.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Fund Balance Reserves and Designations**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for interfund receivable, property taxes, and encumbrances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for budget stabilization represents monies set aside by resolution of the Board of Education to offset revenue/expenditure fluctuations.

**P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services in the internal service fund. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

**Q. Interfund Transactions**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

**S. Estimates**

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

**Note 3 - Change in Accounting Principles**

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any changes to the School District's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Technical Bulletin 2004-2 establishes new guidance addressing the amount that should be recognized as expenditures/expenses and as liabilities each period by employers participating in cost-sharing multiple-employer pension and other postemployment benefit plans. The implementation of this bulletin did not result in any change to the School District's financial statements.

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2005, the Food Service and Improving Teacher Quality special revenue funds had deficit fund balances, in the amount of \$51,843 and \$9,867, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Self Insurance internal service fund had deficit net assets, in the amount of \$314,611, as the result of operating expenses exceeding operating revenues. The School District is currently discussing premiums to determine if further changes need to be made.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 4 - Accountability and Compliance** (continued)

**B. Compliance**

The following funds had expenditures (including encumbrances) in excess of appropriations for the fiscal year ended June 30, 2005:

	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund	\$12,346,046	\$13,537,692	\$1,191,646
Special Revenue Funds			
Food Service	504,994	511,443	6,449
Athletics and Music	391,374	391,873	499
OhioReads	38,637	40,089	1,452
Miscellaneous Federal Grants	5,466	8,000	2,534
Title VI-B	322,877	329,709	6,832

Expenditures exceeded appropriations in the general fund as a result of the District not budgeting for open enrollment tuition adjustments. Rather, the district budgeted for the net effect of these adjustments.

For the fiscal year ended June 30, 2005, the SACC and Drug Free special revenue funds as well as the Self Insurance internal service fund had appropriations in excess of estimated resources plus available balances, in the amount of \$504, \$1,211, and \$49,638, respectively.

At June 30, 2005, the OhioReads special revenue fund and the Self Insurance internal service fund had deficit cash, in the amount of \$514 and \$22,485, respectively.

The Treasurer will review budgetary activity to avoid future violations of budgetary compliance.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 5 - Budgetary Basis of Accounting** (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	(\$274,235)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received in Cash FY 2005	1,690,008
Accrued FY 2005, Not Yet Received in Cash	(1,712,467)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(1,432,805)
Accrued FY 2005, Not Yet Paid in Cash	1,440,917
Cash Adjustments:	
Unrecorded Activity FY 2004	85
Unrecorded Activity FY 2005	(98)
Prepaid Items	(5,165)
Materials and Supplies Inventory	(1,441)
Advances In	25,000
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(57,349)
Budget Basis	(\$327,550)

**Note 6 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 6 - Deposits and Investments** (continued)

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 6 - Deposits and Investments** (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$82,016 of the School District's bank balance of \$184,026 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2005, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association Notes	\$484,800	4/28/06
Federal Home Loan Mortgage Corporation Notes	638,560	12/30/05
Federal Home Loan Bank Bonds	498,515	1/30/06
Federal Home Loan Bank Notes	491,500	12/23/05
Mutual Funds	33,765	9 days
Mutual Funds	2,056	35 days
STAR Ohio	2,992,570	30.4 days
	<u>\$5,141,766</u>	

Interest rate risk is a change in the interest rate that adversely affects the fair value of an investment. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the school district.

The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and Federal Home Loan Bank bonds and notes carry a rating of Aaa by Moody's. The mutual funds also carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount it may invest in any one issuer. The following table indicates the percentage of investments to the School District's total portfolio:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal National Mortgage Association	\$484,800	9.4%
Federal Home Loan Bank	990,015	19.3
Federal Home Loan Mortgage Corporation	638,560	12.4

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 7 - Receivables**

Receivables at June 30, 2005, consisted of accounts (student fees and billings for user charged services), intergovernmental, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except for a portion of the interfund receivable, in the amount of \$25,000, are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Homestead and Rollback	\$4,961
Marion City School District	7,189
Total General Fund	12,150
Bond Retirement Fund	
Homestead and Rollback	1,182
Ohio School Facilities Commission	
Ohio School Facilities Commission	21,508
Other Governmental Funds	
Classroom Facilities Maintenance	94
OhioReads	7,426
Student Intervention	7,465
CTAE	2,430
Title VI-B	37,836
Title I	38,926
Improving Teacher Quality	29,731
Permanent Improvement	12
Total Other Governmental Funds	123,920
Total Intergovernmental Receivables	\$158,760

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 8 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, for fiscal year 2005 this settlement was delayed beyond fiscal year end.

The School District receives property taxes from Marion and Morrow Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2005, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005, was \$1,708,122 in the General Fund, \$32,865 in the Classroom Facilities special revenue fund, and \$408,151 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2004, was \$1,685,426 in the General Fund, \$32,671 in the Classroom Facilities special revenue fund, and \$423,671 Bond Retirement debt service fund.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 8 - Property Taxes** (continued)

The late tax settlement made by the counties for fiscal year 2005 was \$769 in the General Fund, \$10 in the Classroom Facilities special revenue fund, and \$112 in the Bond Retirement debt service fund. For fiscal year 2004, these amounts were \$3,512 in the General Fund, \$46 in the Classroom Facilities special revenue fund, and \$542 in the Bond Retirement debt service fund.

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

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$147,514,050	56.87%	\$151,241,750	56.77%
Industrial/Commercial	49,193,150	18.96	53,296,780	20.00
Public Utility	13,309,530	5.13	12,596,480	4.73
Tangible Personal	49,388,233	19.04	49,297,470	18.50
Total Assessed Value	<u>\$259,404,963</u>	<u>100.00%</u>	<u>\$266,432,480</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.88		\$44.37	

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
<b>Governmental Activities</b>				
<b>Nondepreciable Capital Assets</b>				
Land	\$1,081,748	\$0	(\$7,141)	\$1,074,607
Construction in Progress	18,887	327,108	(345,995)	0
Total Nondepreciable Capital Assets	<u>1,100,635</u>	<u>327,108</u>	<u>(353,136)</u>	<u>1,074,607</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	844,933	23,078	0	868,011
Buildings and Building Improvements	39,370,067	350,749	0	39,720,816
Furniture, Fixtures, and Equipment	2,415,341	142,703	(44,454)	2,513,590
Vehicles	1,308,831	59,968	0	1,368,799
Total Depreciable Capital Assets	<u>43,939,172</u>	<u>576,498</u>	<u>(44,454)</u>	<u>44,471,216</u>

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 9 - Capital Assets** (continued)

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$19,339)	(\$21,679)	\$0	(\$41,018)
Buildings and Building Improvements	(900,660)	(636,448)	0	(1,537,108)
Furniture, Fixtures, and Equipment	(1,042,026)	(163,823)	39,861	(1,165,988)
Vehicles	(858,326)	(91,990)	0	(950,316)
Total Accumulated Depreciation	(2,820,351)	(913,940)	39,861	(3,694,430)
Depreciable Capital Assets, Net	41,118,821	(337,442)	(4,593)	40,776,786
Governmental Activities Capital Assets, Net	<u>\$42,219,456</u>	<u>(10,334)</u>	<u>(\$357,729)</u>	<u>\$41,851,393</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$421,904
Special	30,630
Vocational	12,383
Support Services:	
Pupils	1,499
Instructional Staff	31,903
Administration	47,919
Fiscal	2,304
Operation and Maintenance of Plant	29,231
Pupil Transportation	101,149
Non-Instructional Services	70,174
Extracurricular Activities	164,844
Total Depreciation Expense	<u>\$913,940</u>

**Note 10 - Interfund Assets/Liabilities**

At June 30, 2005, the General Fund had an interfund receivable, in the amount of \$89,060; \$66,575 to other governmental funds to subsidize activities of those funds and \$22,485 to the Self Insurance internal service fund to alleviate a deficit cash balance. Of the \$89,060 due to the General Fund, \$25,000 is not expected to be repaid within one year.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted for the following insurance coverage.

Coverage provided by Selective Insurance Company of South Carolina is as follows:

General Liability	
Per Occurrence	\$2,000,000
Aggregate	4,000,000
Umbrella Liability	1,000,000

Coverage provided by the Netherlands Insurance Company is as follows:

Building and Contents	46,866,294
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Coverage provided by Indiana Insurance is as follows:

Vehicle Liability	1,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., review each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

The School District offers medical insurance to all employees through a self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The School District purchased stop loss insurance for claims in excess of \$100,000 per individual and \$1,000,000 total aggregate annually. Settled claims have not exceeded this coverage for the past three years. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2005, was estimated by the third party administrator at \$292,126.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 11 - Risk Management** (continued)

The change in the claims liability for the past two fiscal years are as follow:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2005	\$169,160	\$1,427,792	\$1,304,826	\$292,126
2004	114,064	1,272,463	1,217,367	169,160

**Note 12 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 12 - Defined Benefit Pension Plans** (continued)

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003 was \$775,060, \$722,504, and \$704,391, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$5,616 made by the School District and \$23,471 made by plan members.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 was \$169,299, \$149,550, and \$132,422, respectively; 51 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2005, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 13 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 13 - Postemployment Benefits** (continued)

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$60,052.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$79,301 for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, were \$178,211,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be sufficient, in the long-term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

**Note 14 - Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Up to ten days of unused vacation may be carried forward to the succeeding fiscal year. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred thirty-five days for classified employees and two hundred twenty-five days for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of forty-seven days for classified employees and forty-five days for certified employees.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 14 - Other Employee Benefits** (continued)

**B. Health Care Benefits**

The School District offers medical insurance to all employees through a self-insurance program. The School District offers dental, vision, and life insurance through Delta Dental Plan of Ohio, Vision Service Plan, and Ohio Educational Employee Trust, respectively.

**C. Special Termination Benefits**

The School District offered a special termination benefit to certified employees who retired as of July 1, 2005. Certified employees were offered a one time cash payment retirement incentive, in addition to their regular severance benefits and STRS pension benefits. The employee had to retire as of July 1, 2005, and not during the regular school year to be eligible. In addition, the employee had to have five continuous years of service with the School District and retire as soon as they were eligible to receive STRS retirement benefits. The benefit was equal to 10 percent of the employee's accumulated sick leave as of June 30, 2005, not in excess of two hundred twenty-five days. The benefit must be paid to the employee within thirty days of the effective date of retirement and at their current daily rate. At June 30, 2005, there was no liability for special termination benefits.

**Note 15 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2002 School Improvement Bonds 2.2-5.25%	\$18,500,000	\$0	\$570,000	\$17,930,000	\$595,000
FY2003 School Bus Bonds 2.54%	116,667	0	58,333	58,334	58,334
Total General Obligation Bonds	18,616,667	0	628,333	17,988,334	653,334
Compensated Absences Payable	815,241	39,173	80,659	773,755	28,968
Capital Leases Payable	39,267	0	20,755	18,512	15,560
Loan Payable	41,805	0	20,443	21,362	21,362
Total Governmental Activities Long -Term Obligations	<u>\$19,512,980</u>	<u>\$39,173</u>	<u>\$750,190</u>	<u>\$18,801,963</u>	<u>\$719,224</u>

FY2002 School Improvement Bonds - On October 21, 2001, the School District issued \$19,600,000 in voted general obligation bonds for the construction of two elementary schools, a middle school, and a high school. The bonds were issued for a twenty-two year period, with final maturity in fiscal year 2024. The bonds are being retired through the Bond Retirement debt service fund.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 15 - Long-Term Obligations** (continued)

FY2003 School Bus Bonds - On December 18, 2002, the School District issued \$175,000 in unvoted general obligation bonds to acquire school buses. The bonds were issued for a three year period, with final maturity in fiscal year 2006. The bonds are being retired from the General Fund.

Loan Payable - On June 1, 2001, the School District entered into a loan agreement for \$136,000 for the purchase of land. The loan has an interest rate of 4.5 percent and will mature in fiscal year 2006. The loan is being repaid from resources of the General Fund.

Compensated absences will be paid from the General Fund and Food Service special revenue fund. Capital leases are paid from the General Fund.

The School District's overall debt margin was \$7,158,554 with an unvoted debt margin of \$266,432 at June 30, 2005.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005, were as follows:

Fiscal Year Ending June 30,	School Improvement Bonds		School Bus Bonds		Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$595,000	\$843,344	\$58,334	\$1,482	\$21,362	\$962
2007	615,000	824,425	0	0	0	0
2008	635,000	798,556	0	0	0	0
2009	670,000	770,956	0	0	0	0
2010	700,000	746,106	0	0	0	0
2011-2015	4,005,000	3,266,559	0	0	0	0
2016-2020	5,335,000	2,115,431	0	0	0	0
2021-2024	5,375,000	575,045	0	0	0	0
Total	<u>\$17,930,000</u>	<u>\$9,940,422</u>	<u>\$58,334</u>	<u>\$1,482</u>	<u>\$21,362</u>	<u>\$962</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 16 - Capital Leases - Lessee Disclosure**

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2005 were \$20,755.

	Governmental Activities
Property under Capital Lease	\$44,158
Less Accumulated Depreciation	29,439
Total June 30, 2004	\$14,719

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2006	15,560	1,422
2007	2,952	50
Total	\$18,512	\$1,472

**Note 17 - Set Asides**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 17 - Set Asides** (continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	Textbooks	Capital Improvements
Balance June 30, 2004	(\$19,866)	(\$31,174,271)
Current Year Set Aside Requirement	265,207	265,207
Current Year Offsets	0	(1,235)
Qualifying Expenditures	(333,579)	(168,511)
Balance Carried Forward to Fiscal Year 2006	(\$88,238)	(\$31,078,810)
Set Aside Reserve Balance June 30, 2005	\$0	\$0

The School District had qualifying expenditures during the fiscal year that reduced the textbooks and capital improvements set aside amounts below zero. These amounts may be used to reduce the set aside requirement in future fiscal years.

**Note 18 - Interfund Transfers**

During fiscal year 2005, the General Fund made a transfer to the Self Insurance internal service fund, in the amount of \$200,000, to subsidize operations.

**Note 19 - Jointly Governed Organizations**

**A. Tri-Rivers Educational Computer Association**

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2005, the School District paid \$71,024 to TRECA for various services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 19 - Jointly Governed Organizations** (continued)

**B. Tri-Rivers Joint Vocational School**

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Terril Martin, who serves as Treasurer, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**C. North Central Regional Professional Development Center**

The North Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Loraine Earnst, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

**D. North Central Ohio Special Education Regional Resource Center**

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a forty-seven member board including the superintendent from the forty-two participating educational entities, one representative from a non-public school, one representative from Knox County Educational Service Center, one representative from Ashland University, and two parents of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representation on the Board. Financial information can be obtained from Patricia Lyons, Knox County Educational Service Center, 106 East High Street, Mt. Vernon, Ohio 43050.

**E. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Note 19 - Jointly Governed Organizations** (continued)

**F. Metropolitan Educational Council**

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred forty-two school districts, libraries, and related agencies in twenty-seven counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 2100 Citygate Drive, Columbus, Ohio 43219.

**Note 20 - Insurance Pool**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**Note 21 - River Valley Digital Academy**

**A. Basis of Presentation**

River Valley Digital Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. River Valley Digital Academy uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

**B. Deposits**

At year end, the carrying amount of River Valley Digital Academy's deposits was \$35,295 and the bank balance was \$35,295. The entire bank balance was covered by federal depository insurance.

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Depreciable Capital Assets				
Equipment	\$0	\$55,934	\$0	\$55,934
Less Accumulated Depreciation	0	(8,574)	0	(8,574)
Capital Assets, Net	<u>\$0</u>	<u>\$47,360</u>	<u>\$0</u>	<u>\$47,360</u>



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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**Note 22 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**B. Litigation**

The School District is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The School District Board of Education is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

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RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005

<u>FEDERAL GRANTOR/ Pass Through Entity/ Program Title</u>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Donation	N/A	10.550	-	\$35,447	-	\$35,447
National School Lunch Program	048447-LLP4-04/05	10.555	148,453	-	148,453	-
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			148,453	35,447	148,453	35,447
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	048447-C1S1-04/05	84.010	114,158	-	121,866	-
	048447-C1SD-04/05	84.010	44,281	-	71,087	-
Total Title I Grants to Local Educational Agencies			158,439	-	192,953	-
Special Education Grants to States	048447-6BSF-04/05	84.027	346,669	-	329,710	-
Safe and Drug-Free Schools and Communities State Grants	048447-DRS1-04/05	84.186	15,519	-	16,228	-
State Grants for Innovative Programs	048447-C2S1-05	84.298	7,625	-	22,748	-
Education Technology State Grants	048447-TJS1-05	84.318	2,480	-	5,465	-
Advanced Placement Program	048447-AVTF-05	84.330	52	-	52	-
Improving Teacher Quality State Grants	048447-TRS1-04/05	84.367	86,072	-	83,269	-
<b>Total U.S. Department of Education</b>			616,856	-	650,425	-
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>			<b>\$765,309</b>	<b>\$35,447</b>	<b>\$798,878</b>	<b>\$35,447</b>

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-federal funds (matching funds) to support the federally funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



**Auditor of State  
Betty Montgomery**

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

River Valley Local School District  
Marion County  
197 Brocklesby Road  
Caledonia, Ohio 43314

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 22, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 22, 2006, we reported other matters related to noncompliance we deemed immaterial.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
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We intend this report solely for the information and use of the finance committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 22, 2006



## Auditor of State Betty Montgomery

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

River Valley Local School District  
Marion County  
197 Brocklesby Road  
Caledonia, Ohio 43314

To the Board of Education:

#### Compliance

We have audited the compliance of River Valley Local School District, Marion County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

The District's basic financial statements include the operations of the River Valley Digital Academy, which because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of federal awards for the year ended June 30, 2005, it was not subject to OMB Circular A-133 audit requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005. In a separate letter to the District's management dated March 22, 2006, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

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### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



**Betty Montgomery**  
Auditor of State

March 22, 2006



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.010 – Title I Grants to Local Educational Agencies  CFDA #84.027 – Special Education Grants to States
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Ohio Rev. Code Section 5705.39 – Appropriations in the self insurance fund exceeded estimated resources.	No	Partially corrected; this finding has been repeated in the current audit management letter.
2004-002	Ohio Rev. Code Section 5705.10 – Negative fund balance in the self insurance fund.	No	Partially corrected; this finding has been repeated in the current audit management letter.
2004-003	Defense Environmental Restoration Program CA-01-RVLSLSD – Questioned costs for elementary school architect fees posted to the Ohio School Facilities Commission Fund.	Yes	Fully corrected.



**Auditor of State  
Betty Montgomery**

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**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 4, 2006**