



Mary Taylor, CPA
Auditor of State

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
General Purpose External Financial Statements:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual:	
General Fund	18
Classroom Facilities Maintenance Fund	19
Statement of Fund Net Assets – Proprietary Fund	20
Statement of Revenues, Expenses, and Change in Fund Net Assets – Proprietary Fund	21
Statement of Cash Flows – Proprietary Fund	22
Statement of Fiduciary Net Assets – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund	24
Notes to the Basic Financial Statements	25
Schedule of Federal Awards Receipts and Expenditures	51
Notes to the Schedule of Federal Awards Receipts and Expenditures	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
Independent Accountants' Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	55
Schedule of Findings	57

THIS PAGE INTENTIONALLY LEFT BLANK



Mary Taylor, CPA

Auditor of State

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, 2007, 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, 2007, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparisons for the General and Classroom Facilities Maintenance funds 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 January 4, 2008, 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.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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 also 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 4, 2008

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

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, 2007. 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 2007 are as follows:

In total, net assets increased \$890,360, or 3 percent, an insignificant change from the prior fiscal year.

General revenues were \$14,234,500, or 77 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, an increase in open enrollment students coming into the School District, and the careful monitoring of the School District's health insurance costs have given the School District the ability to consider various options regarding the timing for asking voters for new monies.

The taxing climate in Marion County is reflective of the environment throughout the State. Renewal levies have a much better passing rate than replacement or new levies with River Valley taxpayers approving a 3.2 emergency renewal levy on May 8, 2007. The Board continues to consider the climate when considering the timing of a levy for new monies. 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 2005 (prior to the implementation of HB 66) 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. Changes to the plan document effective July 1, 2006, and increased contributions by employees have resulted in positive net assets of \$350,311 at fiscal year end, a significant reversal in the trend from fiscal year 2006.

With the increased open enrollment revenue, increased investment income, and the projection of revenues from TIF agreements, the School District's five-year forecast projects a positive carryover balance going into fiscal year 2012. High utility and fuel costs during fiscal year 2007, along with special education expenditures continue to be a challenge to the School District's budget and the increased revenue from the open enrollment helped to manage these increases. Investment income is expected to decrease for fiscal year 2008 as a result of falling interest rates.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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, the Classroom Facilities Maintenance special revenue fund, and the Bond Retirement debt service 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 2007. 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's 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, the Classroom Facilities Maintenance special revenue fund, and the Bond Retirement debt service fund.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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 2007 and fiscal year 2006:

Table 1 Net Assets		Governmental Activities	
	2007	2006	Change
<u>Assets:</u>			
Current and Other Assets	\$13,365,685	\$13,481,121	(\$115,436)
Capital Assets, Net	40,610,221	40,996,575	(386,354)
Total Assets	53,975,906	54,477,696	(501,790)
<u>Liabilities:</u>			
Current and Other Liabilities	6,047,972	6,964,009	916,037
Long-Term Liabilities	17,629,325	18,105,438	476,113
Total Liabilities	23,677,297	25,069,447	1,392,150
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	23,837,599	23,661,575	176,024
Restricted	3,630,047	3,475,689	154,358
Unrestricted	2,830,963	2,270,985	559,978
Total Net Assets	\$30,298,609	\$29,408,249	\$890,360

A review of the above table demonstrates very little in change in assets, liabilities, or net assets. The largest change is reflected in current and other liabilities due to a decrease in deferred revenue, the result of a decrease in property taxes receivable (due to the phase out of tangible personal property taxes; however, this revenue source will be replaced through reimbursements from the State until 2011.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2007 and 2006.

Table 2
Change in Net Assets

	Governmental Activities		
	2007	2006	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$2,734,349	\$2,364,608	\$369,741
Operating Grants, Contributions, and Interest	1,560,001	1,320,602	239,399
Capital Grants and Contributions	20,989	34,744	(13,755)
Total Program Revenues	<u>4,315,339</u>	<u>3,719,954</u>	<u>595,385</u>
General Revenues			
Property Taxes Levied for General Purposes	6,664,994	6,959,322	(294,328)
Property Taxes Levied for Classroom Facilities Maintenance	114,787	120,979	(6,192)
Property Taxes Levied for Debt Service	1,321,171	1,437,925	(116,754)
Property Taxes Levied for Permanent Improvements	0	5	(5)
Payment in Lieu of Taxes	24,004	0	24,004
Grants and Entitlements	5,604,480	5,084,599	519,881
Interest	347,788	230,561	117,227
Gifts and Donations	0	2,350	(2,350)
Miscellaneous	157,276	173,831	(16,555)
Total General Revenues	<u>14,234,500</u>	<u>14,009,572</u>	<u>224,928</u>
Total Revenues	<u>18,549,839</u>	<u>17,729,526</u>	<u>820,313</u>
<u>Expenses:</u>			
Instruction:			
Regular	8,817,110	8,502,195	314,915
Special	1,201,845	1,146,447	55,398
Vocational	157,609	143,177	14,432
Support Services:			
Pupils	501,522	463,519	38,003
Instructional Staff	786,634	790,568	(3,934)
Board of Education	10,724	9,387	1,337
Administration	1,233,546	1,249,342	(15,796)
Fiscal	461,591	447,056	14,535
Business	25,909	33,928	(8,019)
Operation and Maintenance of Plant	1,290,842	1,365,071	(74,229)
Pupil Transportation	903,622	892,533	11,089
Central	77,337	72,007	5,330
Non-Instructional Services	764,704	677,012	87,692
Extracurricular Activities	601,602	635,892	(34,290)
Interest and Fiscal Charges	824,882	848,200	(23,318)
Total Expenses	<u>17,659,479</u>	<u>17,276,334</u>	<u>383,145</u>
Increase in Net Assets	890,360	453,192	437,168
Net Assets at Beginning of Year	29,408,249	28,955,057	453,192
Net Assets at End of Year	<u>\$30,298,609</u>	<u>\$29,408,249</u>	<u>890,360</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Program revenues represent approximately 23 percent of total revenues (slightly more than fiscal year 2006) and are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues. Charges for services increased as a result of open enrollment. Operating grants and contributions increased from increases in State foundation due to more students and additional special education funds.

As stated previously, general revenues represent 77 percent of the School District's total revenues, and of this amount, over 57 percent is the result of property taxes. This is a slight decrease from fiscal year 2006. Again, HB 66 and the phase out of the tangible personal property tax revenue can be attributed to the decrease. Grants and entitlements, primarily State foundation resources make up the majority of the remaining balance of the School District's general revenues. Other revenue sources, such as interest and donations are somewhat unpredictable revenue sources.

Expenses increased from the prior fiscal year a modest 2 percent. The major program expense for governmental activities, as expected, is for instruction, which accounts for almost 58 percent of all governmental expenses. The instruction category, however, does not include all activities associated with educating students such as the pupils, instructional staff, and pupil transportation costs have a significant role in delivering education.

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	
	2007	2006	2007	2006
Instruction:				
Regular	\$8,817,110	\$8,502,195	\$6,768,124	\$6,803,493
Special	1,201,845	1,146,447	150,741	316,427
Vocational	157,609	143,177	99,331	110,709
Support Services:				
Pupils	501,522	463,519	488,959	453,102
Instructional Staff	786,634	790,568	786,634	790,568
Board of Education	10,724	9,387	10,724	9,387
Administration	1,233,546	1,249,342	1,232,046	1,249,342
Fiscal	461,591	447,056	461,591	447,056
Business	25,909	33,928	25,909	33,928
Operation and Maintenance of Plant	1,290,842	1,365,071	1,284,802	1,365,071
Pupil Transportation	903,622	892,533	888,673	882,789
Central	77,337	72,007	65,337	60,007
Non-Instructional Services	764,704	677,012	48,922	14,016
Extracurricular Activities	601,602	635,892	207,465	172,285
Interest and Fiscal Charges	824,882	848,200	824,882	848,200
Total Expenses	<u>\$17,659,479</u>	<u>\$17,276,334</u>	<u>\$13,344,140</u>	<u>\$13,556,380</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Only a few of the School District's programs receive a significant amount of program revenues to offset their costs. Again in fiscal year 2007, one of these programs was special instruction which provides for 87 percent of program costs through program revenues, much of this in the form of operating grants restricted for special instruction purposes. Almost 94 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. Due to the implementation of an extracurricular fee in fiscal year 2006, 66 percent of extracurricular activities expenses are covered by program revenues. The extracurricular fee is monitored closely to determine the affects on participation as the Board of Education feels strongly that extracurricular activity is a vital part of the life of River Valley students. As a result, the extracurricular fee was reduced for fiscal year 2008.

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 an increase in fund balance for all three of the major funds; however, these increases were minimal.

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 2007, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget and from the final budget to actual revenues received were not significant. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$40,610,221 invested in capital assets (net of accumulated depreciation), a decrease of about 1 percent. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2007, included School Improvement general obligation bonds, in the amount of \$16,720,000. There were also outstanding capital leases for equipment in the amount of \$52,622. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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 2012. The dynamics in the taxing structure of the School District are changing rapidly with the phasing out of tangible personal property value at a much more rapid decline than in previous law.

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 Academy opened with the River Valley Local School District as its sponsor. The Board continues 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.

The School District sold the old high school and middle school buildings at a public auction on August 16, 2007, at a price of \$230,000. This property was the final property to be sold as a result of the rebuilding of the School District in 2003.

In August 2007, the River Valley Education Association and the River Valley Board of Education ratified a three-year negotiated agreement with increases for employees at 3 percent, 2.75 percent, and 3 percent, respectively. The period covered by the contract is from July 1, 2007, to June 30, 2010.

On October 4, 2007, the School District refinanced \$9,255,000 in bonds originally issued in 2001. The "refunding" of this prior debt will save the School District approximately \$685,000 over the next fifteen years. This savings will be reflected in lower tax rates required to pay off the debt issued over that time period. The 2001 bonds were originally issued with an average interest rate of 5.2 percent. The refunding bonds average 4.03 percent. The refunding bonds will mature along the same timeline as the original bonds. The refunding bonds were rated Aa3 by Moody's Investors Service, reflecting the School District's participation in the Ohio State Credit Enhancement program. RBC Capital Markets served as the sole managing underwriter for the refunding bond sale.

The School District is always looking at other means of revenue besides the taxpayers; PILOT payments, open enrollment, and investment earnings are three areas that have helped overall revenues without going to the voters.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2007**

	Primary Government	Component Unit
	Governmental Activities	River Valley Academy
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 5,536,857	\$ 137,867
Cash and Cash Equivalents		
with Fiscal Agent	450,067	-
Accounts Receivable	39,743	-
Accrued Interest Receivable	13,493	-
Intergovernmental Receivable	214,506	26,261
Prepaid Items	10,251	-
Inventory Held for Resale	18,408	-
Materials and Supplies Inventory	43,385	-
Property Taxes Receivable	7,038,975	-
Nondepreciable Capital Assets	1,066,750	-
Depreciable Capital Assets, Net	39,543,471	100,690
Total Assets	53,975,906	264,818
<u>Liabilities:</u>		
Accounts Payable	57,359	2,364
Accrued Wages and Benefits Payable	1,309,927	-
Intergovernmental Payable	355,636	12,653
Deferred Revenue	4,088,338	-
Accrued Interest Payable	135,739	-
Separation Benefits Payable	2,278	-
Claims Payable	98,695	-
Long-Term Liabilities:		
Due Within One Year	718,359	-
Due in More Than One Year	16,910,966	-
Total Liabilities	23,677,297	15,017
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	23,837,599	100,690
Restricted For:		
Debt Service	1,571,011	-
Capital Projects	145,578	-
Classroom Facilities Maintenance	1,619,107	-
Other Purposes	294,351	-
Unrestricted	2,830,963	149,111
Total Net Assets	\$ 30,298,609	\$ 249,801

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, 2007**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 8,817,110	\$ 1,945,292	\$ 103,694	\$ -
Special	1,201,845	98,693	952,411	-
Vocational	157,609	-	58,278	-
Support Services:				
Pupils	501,522	-	12,563	-
Instructional Staff	786,634	-	-	-
Board of Education	10,724	-	-	-
Administration	1,233,546	-	1,500	-
Fiscal	461,591	-	-	-
Business	25,909	-	-	-
Operation and Maintenance of Plant	1,290,842	-	-	6,040
Pupil Transportation	903,622	-	-	14,949
Central	77,337	-	12,000	-
Non-Instructional Services	764,704	478,523	237,259	-
Extracurricular Activities	601,602	211,841	182,296	-
Interest and Fiscal Charges	824,882	-	-	-
Total Governmental Activities	<u>17,659,479</u>	<u>2,734,349</u>	<u>1,560,001</u>	<u>20,989</u>
<u>Component Unit</u>				
River Valley Academy	<u>\$ 403,689</u>	<u>\$ -</u>	<u>\$ 61,783</u>	<u>\$ -</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Classroom Facilities Maintenance
Property Taxes Levied for Debt Service
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
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 Academy
\$ (6,768,124)	\$ -
(150,741)	-
(99,331)	-
(488,959)	-
(786,634)	-
(10,724)	-
(1,232,046)	-
(461,591)	-
(25,909)	-
(1,284,802)	-
(888,673)	-
(65,337)	-
(48,922)	-
(207,465)	-
(824,882)	-
(13,344,140)	-
-	(341,906)
6,664,994	-
114,787	-
1,321,171	-
24,004	-
5,604,480	435,816
347,788	-
157,276	-
14,234,500	435,816
890,360	93,910
29,408,249	155,891
\$ 30,298,609	\$ 249,801

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,449,685	\$ 1,575,509	\$ 1,185,830	\$ 325,833	\$ 5,536,857
Cash and Cash Equivalents with Fiscal Agent	-	-	-	1,061	1,061
Accounts Receivable	14,250	-	-	25,493	39,743
Accrued Interest Receivable	3,330	10,163	-	-	13,493
Intergovernmental Receivable	696	12	127	213,671	214,506
Interfund Receivable	66,640	-	-	-	66,640
Prepaid Items	10,251	-	-	-	10,251
Inventory Held for Resale	-	-	-	18,408	18,408
Materials and Supplies Inventory	40,578	-	-	2,807	43,385
Property Taxes Receivable	5,651,411	121,104	1,266,460	-	7,038,975
Total Assets	8,236,841	1,706,788	2,452,417	587,273	12,983,319
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	38,280	12,967	-	6,112	57,359
Accrued Wages and Benefits Payable	1,240,424	-	-	69,503	1,309,927
Intergovernmental Payable	324,125	-	-	31,511	355,636
Interfund Payable	-	-	-	66,640	66,640
Deferred Revenue	3,707,755	83,287	839,292	91,080	4,721,414
Total Liabilities	5,310,584	96,254	839,292	264,846	6,510,976
<u>Fund Balances:</u>					
Reserved for Property Taxes	1,954,492	38,117	427,155	-	2,419,764
Reserved for Encumbrances	113,556	3,016	-	19,322	135,894
Unreserved, Designated for Budget Stabilization	85,600	-	-	-	85,600
Unreserved, Undesignated Reported in:					
General Fund	772,609	-	-	-	772,609
Special Revenue Funds	-	1,569,401	-	159,869	1,729,270
Debt Service Fund	-	-	1,185,970	-	1,185,970
Capital Projects Funds	-	-	-	143,236	143,236
Total Fund Balances	2,926,257	1,610,534	1,613,125	322,427	6,472,343
Total Liabilities and Fund Balances	\$ 8,236,841	\$ 1,706,788	\$ 2,452,417	\$ 587,273	\$ 12,983,319

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, 2007**

Total Governmental Fund Balances		\$ 6,472,343
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		40,610,221
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	21,609	
Accrued Interest Receivable	302	
Intergovernmental Receivable	81,506	
Property Taxes Receivable	529,659	
		633,076
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(135,739)	
Separation Benefits Payable	(2,278)	
School Improvement Bonds Payable	(16,720,000)	
Compensated Absences Payable	(856,703)	
Capital Leases Payable	(52,622)	
		(17,767,342)
<p>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.</p>		
		350,311
Net Assets of Governmental Activities		\$ 30,298,609

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, 2007**

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$ 6,557,094	\$ 112,749	\$ 1,303,038	\$ -	\$ 7,972,881
Payment in Lieu of Taxes	24,004	-	-	-	24,004
Intergovernmental	5,654,858	17,518	291,056	970,659	6,934,091
Interest	288,125	52,170	-	2,377	342,672
Tuition and Fees	1,984,633	-	-	54,952	2,039,585
Extracurricular Activities	-	-	-	391,056	391,056
Charges for Services	-	-	-	400,534	400,534
Miscellaneous	57,489	-	-	173,236	230,725
Total Revenues	<u>14,566,203</u>	<u>182,437</u>	<u>1,594,094</u>	<u>1,992,814</u>	<u>18,335,548</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	8,350,059	-	-	112,401	8,462,460
Special	892,564	-	-	293,874	1,186,438
Vocational	136,753	-	-	19,799	156,552
Support Services:					
Pupils	447,385	-	-	69,324	516,709
Instructional Staff	510,992	-	-	276,817	787,809
Board of Education	10,724	-	-	-	10,724
Administration	1,228,352	-	-	15,685	1,244,037
Fiscal	427,459	2,724	31,517	125	461,825
Business	97,093	-	-	-	97,093
Operation and Maintenance of Plant	1,277,648	-	-	25,730	1,303,378
Pupil Transportation	1,052,069	-	-	1,313	1,053,382
Central	69,783	-	-	6,940	76,723
Non-Instructional Services	4,587	-	-	711,320	715,907
Extracurricular Activities	21,230	-	-	417,953	439,183
Capital Outlay	-	176,133	-	162,450	338,583
Debt Service:					
Principal Retirement	18,562	-	615,000	-	633,562
Interest and Fiscal Charges	3,788	-	824,425	-	828,213
Total Expenditures	<u>14,549,048</u>	<u>178,857</u>	<u>1,470,942</u>	<u>2,113,731</u>	<u>18,312,578</u>
Excess of Revenues Over (Under) Expenditures	<u>17,155</u>	<u>3,580</u>	<u>123,152</u>	<u>(120,917)</u>	<u>22,970</u>
<u>Other Financing Sources (Uses):</u>					
Sale of Capital Assets	5,500	-	-	600	6,100
Inception of Capital Lease	71,184	-	-	-	71,184
Transfers In	-	-	-	66,572	66,572
Transfers Out	(66,572)	-	-	-	(66,572)
Total Other Financing Sources (Uses)	<u>10,112</u>	<u>-</u>	<u>-</u>	<u>67,172</u>	<u>77,284</u>
Changes in Fund Balances	27,267	3,580	123,152	(53,745)	100,254
Fund Balances at Beginning of Year	<u>2,898,990</u>	<u>1,606,954</u>	<u>1,489,973</u>	<u>376,172</u>	<u>6,372,089</u>
Fund Balances at End of Year	<u>\$ 2,926,257</u>	<u>\$ 1,610,534</u>	<u>\$ 1,613,125</u>	<u>\$ 322,427</u>	<u>\$ 6,472,343</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, 2007**

Changes in Fund Balances - Total Governmental Funds \$ 100,254

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 - Nondepreciable Capital Assets	59,053	
Capital Outlay - Depreciable Capital Assets	456,474	
Capital Contributions	6,040	
Depreciation	<u>(882,765)</u>	(361,198)

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	(6,100)	
Gain on Disposal of Capital Assets	3,000	
Loss on Disposal of Capital Assets	<u>(22,056)</u>	(25,156)

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

Property Taxes	128,071	
Intergovernmental	60,666	
Interest	302	
Tuition and Fees	4,410	
Extracurricular Activities	3,046	
Charges for Services	(40)	
Miscellaneous	<u>1,605</u>	198,060

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 633,562

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. 3,331

The inception of a capital lease is reported as an other financing source in governmental funds, but increases long-term liabilities on the statement of net assets (71,184)

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:

Separation Benefits Payable	(2,278)	
Compensated Absences Payable	<u>(86,265)</u>	(88,543)

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	7,191	
Allocated to Activities	<u>494,043</u>	501,234

Change in Net Assets of Governmental Activities \$ 890,360

See Accompanying Notes to the Basic Financial Statements

**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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Over (Under)
Revenues:				
Property Taxes	\$ 5,900,979	\$ 6,460,875	\$ 6,414,032	\$ (46,843)
Payment in Lieu of Taxes	-	-	24,004	24,004
Intergovernmental	5,567,363	5,629,818	5,680,130	50,312
Interest	159,149	363,075	284,565	(78,510)
Tuition and Fees	1,806,442	1,930,532	1,985,140	54,608
Miscellaneous	45,235	30,000	26,490	(3,510)
Total Revenues	13,479,168	14,414,300	14,414,361	61
Expenditures:				
Current:				
Instruction:				
Regular	8,351,148	8,379,711	8,365,056	14,655
Special	885,177	885,285	875,355	9,930
Vocational	139,643	139,643	140,202	(559)
Support Services:				
Pupils	449,532	449,533	448,435	1,098
Instructional Staff	538,392	540,400	510,315	30,085
Board of Education	11,323	11,323	10,724	599
Administration	1,242,083	1,241,398	1,184,006	57,392
Fiscal	439,326	439,327	427,141	12,186
Business	45,815	45,815	47,779	(1,964)
Operation and Maintenance of Plant	1,436,552	1,436,554	1,337,620	98,934
Pupil Transportation	882,622	1,232,624	1,032,172	200,452
Central	67,346	94,346	69,646	24,700
Non-Instructional Services	-	-	4,587	(4,587)
Extracurricular Activities	23,580	23,580	21,267	2,313
Total Expenditures	14,512,539	14,919,539	14,474,305	445,234
Excess of Revenues				
Under Expenditures	(1,033,371)	(505,239)	(59,944)	445,295
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	3,642	33,775	34,585	810
Sale of Capital Assets	-	-	5,500	5,500
Transfers Out	(20,000)	(20,000)	(54,322)	(34,322)
Advances In	-	-	5,907	5,907
Advances Out	-	-	(8,146)	(8,146)
Total Other Financing Sources (Uses)	(16,358)	13,775	(16,476)	(30,251)
Changes in Fund Balance	(1,049,729)	(491,464)	(76,420)	415,044
Fund Balance at Beginning of Year	2,279,802	2,279,802	2,279,802	-
Prior Year Encumbrances Appropriated	163,739	163,739	163,739	-
Fund Balance at End of Year	\$ 1,393,812	\$ 1,952,077	\$ 2,367,121	\$ 415,044

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$ 114,792	\$ 151,526	\$ 111,515	\$ (40,011)
Intergovernmental	9,605	8,474	17,518	9,044
Interest	1,601	12,000	42,309	30,309
Total Revenues	<u>125,998</u>	<u>172,000</u>	<u>171,342</u>	<u>(658)</u>
<u>Expenditures:</u>				
Current:				
Support Services:				
Fiscal	2,700	2,700	2,724	(24)
Operation and Maintenance of Plant	5,000	55,000	-	55,000
Capital Outlay	120,750	130,750	170,161	(39,411)
Total Expenditures	<u>128,450</u>	<u>188,450</u>	<u>172,885</u>	<u>15,565</u>
Changes in Fund Balance	(2,452)	(16,450)	(1,543)	14,907
Fund Balance at Beginning of Year	1,543,550	1,543,550	1,543,550	-
Prior Year Encumbrances Appropriated	28,450	28,450	28,450	-
Fund Balance at End of Year	<u>\$ 1,569,548</u>	<u>\$ 1,555,550</u>	<u>\$ 1,570,457</u>	<u>\$ 14,907</u>

See Accompanying Notes to the Basic Financial Statements

RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>Governmental Activity</u>
	<u>Internal Service</u>
<u>Current Assets:</u>	
Cash and Cash Equivalents with Fiscal Agent	\$ 449,006
<u>Current Liabilities:</u>	
Claims Payable	<u>98,695</u>
<u>Net Assets:</u>	
Unrestricted	<u>\$ 350,311</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, 2007**

	Governmental Activity
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$ 1,849,342
<u>Operating Expenses:</u>	
Purchased Services	305,384
Claims	1,049,915
Total Operating Expenses	1,355,299
Operating Income	494,043
Interest Revenue	7,191
Change in Net Assets	501,234
Net Assets (Deficit) at Beginning of Year	(150,923)
Net Assets at End of Year	\$ 350,311

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, 2007**

	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	\$ 1,849,342
Cash Payments for Goods and Services	(305,384)
Cash Payments for Claims	(1,146,245)
Net Cash Provided by Operating Activities	397,713
 <u>Cash Flows from Investing Activities:</u>	
Cash Received from Interest	7,191
 Net Increase in Cash and Cash Equivalents	404,904
Cash and Cash Equivalents at Beginning of Year	44,102
Cash and Cash Equivalents at End of Year	449,006
 <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	494,043
 <u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>	
Decrease in Claims Payable	(96,330)
Net Cash Provided by Operating Activities	\$ 397,713

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 1,250	\$ 103,414
<u>Liabilities:</u>		
Due to Students	-	100,957
Undistributed Assets	-	2,457
Total Liabilities	-	\$ 103,414
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$ 1,250	

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, 2007

<u>Additions:</u>	\$	-
<u>Deductions:</u>		-
Change in Net Assets		-
Net Assets at Beginning of Year		<u>1,250</u>
Net Assets at End of Year	\$	<u><u>1,250</u></u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 Villages of Caledonia, Claridon, Martel, and Waldo. The School District is the 279th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-nine classified employees, one hundred sixteen certified teaching personnel, and eleven administrative employees who provide services to 1,690 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 Academy (RVA). 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 Academy - RVA is a legally separate, not-for-profit corporation. RVA, under a contractual agreement with the River Valley Local School District, provides education opportunities through distance learning technologies. River Valley Local School District is RVA's sponsoring government and RVA'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 RVA as it appoints RVA's Board and can also remove appointed members; therefore it can impose its will on RVA. RVA is reported as a discretely presented component unit on River Valley Local School District's financial statements. Separately issued financial statements for RVA can be obtained from the Treasurer of the River Valley Local School District, 197 Brocklesby Road, Caledonia, Ohio 43314.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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, 2007
(Continued)**

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 Classroom Facilities Maintenance special revenue fund, and the Bond Retirement debt service 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.

Classroom Facilities Maintenance Fund - The Classroom Facilities Maintenance special revenue fund accounts for proceeds from a .5 mill levy for maintenance of school buildings.

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 issued 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.

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:

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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 a program which provides college scholarships to 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-related 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.

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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 have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 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, 2007**

(Continued)

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 and the Ohio Mid-Eastern Regional Education Service Agency are reflected as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2007, investments consisted of nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are recorded at cost. 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, 2007.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2007 was \$288,125, which includes \$101,018 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, 2007, 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. 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.

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

J. Interfund Assets/Liabilities

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

K. 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.

L. 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 and capital leases are recognized as liabilities on the fund financial statements when due.

M. 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 music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. As of June 30, 2007, the School District did not have any net assets restricted by enabling legislation.

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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

N. 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 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.

O. 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.

P. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

Q. Interfund Transactions

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments made for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds 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.

R. 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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 3 - Accountability

At June 30, 2007, the Food Service, CTAE, and Improving Teacher Quality special revenue funds had deficit fund balances, in the amount of \$26,422, \$1,464, and \$3,041, 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.

Note 4 - 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 Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and the Classroom Facilities Maintenance special revenue fund are 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).

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

Changes in Fund Balance

	General Fund	Classroom Facilities Maintenance
GAAP Basis	\$27,267	\$3,580
<u>Increase (Decrease) Due to:</u>		
Revenue Accruals:		
Accrued FY 2006, Received in Cash FY 2007	1,844,905	36,897
Accrued FY 2007, Not Yet Received in Cash	(1,961,932)	(47,992)
		(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 4 - Budgetary Basis of Accounting (continued)

Changes in Fund Balance
(continued)

	General Fund	Classroom Facilities Maintenance
Expenditure Accruals:		
Accrued FY 2006, Paid in Cash FY 2007	(\$1,494,798)	(\$1,943)
Accrued FY 2007, Not Yet Paid in Cash	1,602,829	12,967
Unrecorded Cash Activity 2006	153	0
Unrecorded Cash Activity 2007	(383)	0
Prepaid Items	15,765	0
Materials and Supplies Inventory	345	0
Advances In	5,907	0
Advance Out	(8,146)	0
Operating Transfers Out	12,250	0
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(120,582)	(5,052)
Budget Basis	(\$76,420)	(\$1,543)

Note 5 - 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.

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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 5 - Deposits and Investments (continued)

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;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptance if training requirements have been met.

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.

Investments

As of June 30, 2007, the fair value of funds on deposit with STAR Ohio was \$579,603. The School District's investments in STAR Ohio have an average maturity of 38.56 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 6 - Receivables

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), accrued interest, 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 property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Homestead and Rollback	\$696
Classroom Facilities Maintenance	
Homestead and Rollback	12
Bond Retirement	
Homestead and Rollback	127
Other Governmental Funds	
Food Service	47,073
CTAE	2,430
Miscellaneous State Grants	21,869
Title VI-B	80,585
Title I	45,821
Innovative Programs	1,608
Safe and Drug Free Schools	1,850
Title II-A	11,835
Title II-D	600
Total Other Governmental Funds	213,671
Total Intergovernmental Receivables	\$214,506

Note 7 - 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 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, 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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

(Continued)

Note 7 - Property Taxes (continued)

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, 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 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. 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 2007 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, 2007, are available to finance fiscal year 2007 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, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late personal property settlement and 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, 2007, was \$1,954,492 in the General Fund, \$38,117 in the Classroom Facilities Maintenance special revenue fund, and \$427,155 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2006, was \$1,811,617 in the General Fund, \$36,886 in the Classroom Facilities Maintenance special revenue fund, and \$431,621 in the Bond Retirement debt service fund.

The late tax settlement made by the counties for fiscal year 2007 was \$1,060 in the General Fund, \$14 in the Classroom Facilities Maintenance special revenue fund, and \$140 in the Bond Retirement debt service fund. For fiscal year 2006, these amounts were \$873 in the General Fund, \$11 in the Classroom Facilities Maintenance special revenue fund, and \$127 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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 7 - Property Taxes (continued)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$154,801,030	56.25%	\$159,592,920	61.25%
Industrial/Commercial	55,810,320	20.28	64,441,890	24.86
Public Utility	12,504,540	4.54	12,008,460	4.63
Tangible Personal	52,086,158	18.93	23,179,180	8.94
Total Assessed Value	<u>\$275,202,048</u>	<u>100.00%</u>	<u>\$259,222,450</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.37		\$44.37	

Note 8 - Payment in Lieu of Taxes

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatement to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been abated. The payment is received annually as an agreed upon flat amount per year. The agreements are for a thirty year period. The property owners contractually promise to make these payments in lieu of taxes until the agreement expires.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,066,750	\$0	\$0	\$1,066,750
Construction in Progress	13,540	59,053	(72,593)	0
Total Nondepreciable Capital Assets	<u>1,080,290</u>	<u>59,053</u>	<u>(72,593)</u>	<u>1,066,750</u>
Depreciable Capital Assets				
Land Improvements	868,011	81,633	0	949,644
Buildings and Building Improvements	39,720,816	0	0	39,720,816
Furniture, Fixtures, and Equipment	2,543,857	243,474	(171,894)	2,615,437
Vehicles	1,368,799	210,000	(253,689)	1,325,110
Total Depreciable Capital Assets	<u>44,501,483</u>	<u>535,107</u>	<u>(425,583)</u>	<u>44,611,007</u>

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 9 - Capital Assets (continued)

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$63,103)	(\$24,261)	\$0	(\$87,364)
Buildings and Building Improvements	(2,174,415)	(637,308)	0	(2,811,723)
Furniture, Fixtures, and Equipment	(1,301,211)	(149,011)	150,225	(1,299,997)
Vehicles	(1,046,469)	(72,185)	250,202	(868,452)
Total Accumulated Depreciation	(4,585,198)	(882,765)	400,427	(5,067,536)
Depreciable Capital Assets, Net	39,916,285	(347,658)	(25,156)	39,543,471
Governmental Activities Capital Assets, Net	\$40,996,575	(\$288,605)	(\$97,749)	\$40,610,221

During fiscal year 2007, the School District accepted contributions of depreciable capital assets with a fair value of \$6,040.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$407,432
Special	31,257
Vocational	12,228
Support Services:	
Pupils	53
Instructional Staff	31,809
Administration	41,423
Fiscal	1,943
Operation and Maintenance of Plant	30,349
Pupil Transportation	87,393
Central	200
Non-Instructional Services	71,259
Extracurricular Activities	167,419
Total Depreciation Expense	\$882,765

Note 10 - Interfund Assets/Liabilities

At June 30, 2007, the General Fund had an interfund receivable, in the amount of \$66,640, from other governmental funds for short-term loans made to those funds.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

(Continued)

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 2007, the School District contracted for the following insurance coverage.

Coverage provided by The Netherlands Indemnity Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
General Aggregate	2,000,000
Building and Contents	43,995,722
Vehicle Liability	1,000,000

Coverage provided by The Midwestern Indemnity Company is as follows:

Umbrella Liability	4,000,000
--------------------	-----------

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 internal service fund covers claims up to \$400,000 per individual and \$1,000,000 total aggregate annually. Settled claims have not exceeded this coverage for the past three years. Stop loss insurance covers claims in excess of these limits. 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, 2007, was estimated by the third party administrator at \$98,695.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 11 - Risk Management (continued)

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

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2007	\$195,025	\$1,049,915	\$1,146,245	\$98,695
2006	292,126	1,494,540	1,591,641	195,025

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, 2007, 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, 2007
(Continued)**

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, 2007, 2006, and 2005 was \$848,412, \$799,029, and \$775,060, respectively; 84 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$1,307 made by the School District and \$26,535 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, 2007, 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 2007 was 14 percent of annual covered payroll; 10.68 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, 2007, 2006, and 2005 was \$202,374, \$184,575, and \$169,299, respectively; 49 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

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, 2007, 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, 2007**

(Continued)

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 2007, 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 \$65,363

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 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.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$91,485 for fiscal year 2007.

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, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are 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, 2007
(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 The Ohio Educational Employee Trust, respectively.

C. Separation Benefits

The School District offered a separation benefit to certified employees who retired as of July 1, 2007. Certified employees were offered a one time cash payment incentive, in addition to their regular severance benefits and STRS pension benefits. The employee had to retire as of July 1, 2007, 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, 2007, 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, 2007, the liability for separation benefits was \$2,278.

Note 15 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2002 School Improvement					
Bonds 2.2-5.25%	\$17,335,000	\$0	\$615,000	\$16,720,000	\$635,000
Compensated Absences Payable	770,438	101,543	15,278	856,703	59,995
Capital Leases Payable	0	71,184	18,562	52,622	23,364
Total Governmental Activities					
Long -Term Obligations	\$18,105,438	\$172,727	\$648,840	\$17,629,325	\$718,359

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.

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

The School District's overall debt margin was \$3,638,619 with an unvoted debt margin of \$226,207 at June 30, 2007.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 15 - Long-Term Obligations (continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2007, were as follows:

Fiscal Year Ending June 30,	School Improvement Bonds	
	Principal	Interest
2008	\$635,000	\$798,556
2009	670,000	770,956
2010	700,000	746,106
2011	730,000	719,294
2012	760,000	690,406
2013-2017	4,540,000	2,868,853
2018-2022	5,850,000	1,529,400
2023-2024	2,835,000	149,082
Total	\$16,720,000	\$8,272,653

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. New capital leases are reflected in the accounts "Business" and "Inception of Capital Lease" in the funds which will be making the lease payments. 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 2007 were \$18,562.

	Governmental Activities
Property under Capital Lease	\$71,184
Less Accumulated Depreciation	(23,364)
Total June 30, 2007	\$47,820

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2007.

Year	Governmental Activities	
	Principal	Interest
2008	\$23,364	\$3,268
2009	22,865	1,476
2010	6,393	147
Total	\$52,622	\$4,891

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$13,773)	(\$30,807,954)
Current Year Set Aside Requirement	280,648	280,648
Qualifying Expenditures	(329,538)	(211,316)
Balance Carried Forward to Fiscal Year 2008	(\$62,663)	(\$30,738,622)
Set Aside Reserve Balance June 30, 2007	\$0	\$0

The School District had carryover amounts and 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 requirements in future fiscal years.

Note 18 - Interfund Transfers

During fiscal year 2007, the General Fund made transfers to other governmental funds, in the amount of \$66,572, to subsidize operations in other funds.

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 2007, the School District paid \$63,073 to TRECA for various services. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 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, 2007
(Continued)**

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 the Tri-Rivers Joint Vocational School, 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 the 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 the 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 the Knox County Educational Service Center, 106 East High Street, Mount 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
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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, 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 Academy

A. Basis of Presentation

River Valley 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 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. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Restated Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Depreciable Capital Assets				
Equipment	\$116,866	\$20,725	\$0	\$137,591
Less Accumulated Depreciation	(19,642)	(17,259)	0	(36,901)
Capital Assets, Net	<u>\$97,224</u>	<u>\$3,466</u>	<u>\$0</u>	<u>\$100,690</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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, 2007.

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.

Note 23 - Subsequent Event

On October 4, 2007, the School District issued general obligation bonds, in the amount of \$9,255,000, to refund 2002 general obligation bonds previously issued for constructing school buildings. The refunding bonds consist of serial and capital appreciation bonds and have interest rates ranging from 4 to 15.2 percent over the 15 year life of the bonds.

RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through the Ohio Department of Education</i>						
Food Donation	N/A	10.550	\$ -	\$ 48,511	\$ -	\$ 48,511
Nutrition Cluster:						
School Breakfast Program	048447-05PU-2007	10.553	10,697	-	10,697	-
National School Lunch Program	048447-LLP4-06/07	10.555	142,204	-	142,204	-
Total Nutrition Cluster			<u>152,901</u>	<u>-</u>	<u>152,901</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>152,901</u>	<u>48,511</u>	<u>152,901</u>	<u>48,511</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Grants to States	048447-6BSF-06/07	84.027	356,395	-	387,435	-
Title I Grants to Local Educational Agencies	048447-C1S1-06/07 048447-C1SD-05/06/07	84.010	76,149 <u>54,297</u>	- -	57,570 <u>57,692</u>	- -
Total Title I Grants to Local Educational Agencies			<u>130,446</u>	<u>-</u>	<u>115,262</u>	<u>-</u>
State Grants for Innovative Programs	048447-C2S1-06/07	84.298	3,588	-	1,273	-
Improving Teacher Quality State Grants	048447-TRS1-06/07	84.367	72,956	-	65,571	-
Safe and Drug-Free Schools and Communities State Grants	048447-DRS1-05/06/07	84.186	5,339	-	4,092	-
Education Technology State Grants	048447-TJS1-06/07	84.318	1,363	-	1,363	-
Total U.S. Department of Education			<u>570,087</u>	<u>-</u>	<u>574,996</u>	<u>-</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			<u>\$ 722,988</u>	<u>\$ 48,511</u>	<u>\$ 727,897</u>	<u>\$ 48,511</u>

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 FISCAL YEAR ENDED JUNE 30, 2007**

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

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

NOTE C – FOOD DONATION PROGRAM

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 value of the commodities received.



Mary Taylor, CPA

Auditor of State

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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the District's management in a separate letter dated January 4, 2008.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Compliance and Other Matters

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

We 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. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 4, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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, River Valley Local School District, Marion County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 4, 2008

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

**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



Mary Taylor, CPA
Auditor of State

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
MARCH 11, 2008**