



Dave Yost • Auditor of State



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

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# Dave Yost • 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, 2010, 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, 2010, 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 March 9, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

March 9, 2011

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

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The discussion and analysis of River Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

In total, net assets decreased \$469,682, or less than 2 percent, and not a significant change from the prior fiscal year.

General revenues were \$13,887,483, or almost 70 percent of total revenues, and reflect the School District's continued dependence on property taxes and unrestricted state entitlements. While general revenues remained very similar to the prior fiscal year (change of less than 1 percent), a shift in revenue sources occurred between property taxes and unrestricted state entitlements primarily relative to the State's temporary reimbursement for the loss of tangible personal property taxes which were eliminated by the State. The temporary nature of this shift in revenue source makes the School District particularly sensitive to further changes in State law, including the State budget process.

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. The School District's current five-year forecast reflects expenses in excess of revenues for fiscal years 2011 through 2015; however, a positive year end fund balance is maintained through fiscal year 2012. Fiscal years 2013 through 2015 reflect deficit fund balances. The Board of Education created the River Valley Community Task Force Committee in January 2010 to solicit input from the community on the School District's various financial issues.

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 Employee Benefits Fund had reflected increasing net assets for the past several years; however, had a decrease for fiscal year 2010. The committee continues to look at options to provide adequate health care at an affordable cost to everyone.

**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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

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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 2010. 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.

**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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

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 2010 and fiscal year 2009:

	Table 1 Net Assets		
	2010	Governmental Activities 2009	Change
<u>Assets:</u>			
Current and Other Assets	\$13,137,947	\$13,018,259	\$119,688
Capital Assets, Net	38,225,180	38,685,118	(459,938)
Total Assets	<u>51,363,127</u>	<u>51,703,377</u>	<u>(340,250)</u>
<u>Liabilities:</u>			
Current and Other Liabilities	6,207,733	5,351,279	(856,454)
Long-Term Liabilities	15,774,754	16,501,776	727,022
Total Liabilities	<u>21,982,487</u>	<u>21,853,055</u>	<u>(129,432)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	23,635,180	23,340,238	294,942
Restricted	3,696,019	3,509,075	186,944
Unrestricted	2,049,441	3,001,009	(951,568)
Total Net Assets	<u>\$29,380,640</u>	<u>\$29,850,322</u>	<u>(\$469,682)</u>

Although the overall change in net assets was not significant (less than 2 percent), there were several changes of note from the prior fiscal year. Within current and other assets, there was a decrease in total cash and cash equivalents of over \$1.1 million due, in part, to cash carryover spending and over \$294,000 of this amount was due to less cash being held by the School District's third-party insurance administrator. This decrease is also reflected in the decrease in unrestricted net assets. This reduction in cash, however, was largely offset by increases in both property taxes receivable and intergovernmental receivables. The increase in property taxes receivable was based on estimates provided by the County Auditor and the increase in intergovernmental receivables reflects additional grant resources to be received by the School District, largely as a result of the American Recovery and Reinvestment Act (ARRA) for IDEA-B and Title I funding.

Several factors account for the decrease in current and other liabilities, an increase to offset the deferred portion of property taxes receivable, an increase in matured compensated absences payable for folks who retired in fiscal year 2010 that will receive their severance distribution in fiscal year 2011, and a larger liability at fiscal year end for employee insurance claims.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2010 and 2009.

Table 2  
Change in Net Assets

	Governmental Activities		
	2010	2009	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$3,841,301	\$3,390,533	\$450,768
Operating Grants, Contributions, and Interest	2,244,377	1,624,919	619,458
Capital Grants and Contributions	0	22,351	(22,351)
Total Program Revenues	<u>6,085,678</u>	<u>5,037,803</u>	<u>1,047,875</u>
General Revenues			
Property Taxes Levied for General Purposes	5,618,441	5,858,026	(239,585)
Property Taxes Levied for Classroom Facilities Maintenance	97,963	100,110	(2,147)
Property Taxes Levied for Debt Service	943,618	987,537	(43,919)
Payment in Lieu of Taxes	198,714	209,612	(10,898)
Grants and Entitlements	6,821,905	6,515,337	306,568
Interest	59,360	113,776	(54,416)
Miscellaneous	147,482	114,755	32,727
Total General Revenues	<u>13,887,483</u>	<u>13,899,153</u>	<u>(11,670)</u>
Total Revenues	<u>19,973,161</u>	<u>18,936,956</u>	<u>1,036,205</u>
<u>Expenses:</u>			
Instruction:			
Regular	10,323,686	9,695,622	(628,064)
Special	1,628,475	1,504,213	(124,262)
Vocational	205,794	167,424	(38,370)
Support Services:			
Pupils	487,454	451,124	(36,330)
Instructional Staff	945,857	883,865	(61,992)
Board of Education	15,855	17,701	1,846
Administration	1,580,319	1,378,922	(201,397)
Fiscal	482,957	475,417	(7,540)
Business	34,189	24,806	(9,383)
Operation and Maintenance of Plant	1,346,995	1,573,850	226,855
Pupil Transportation	1,101,094	971,685	(129,409)
Central	81,999	77,902	(4,097)
Non-Instructional Services	975,261	919,004	(56,257)
Extracurricular Activities	554,606	561,516	6,910
Interest and Fiscal Charges	678,302	689,721	11,419
Total Expenses	<u>20,442,843</u>	<u>19,392,772</u>	<u>(1,050,071)</u>
Decrease in Net Assets	(469,682)	(455,816)	(13,866)
Net Assets at Beginning of Year	<u>29,850,322</u>	<u>30,306,138</u>	<u>(455,816)</u>
Net Assets at End of Year	<u>\$29,380,640</u>	<u>\$29,850,322</u>	<u>(\$469,682)</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

Program revenues represented approximately 30 percent of total revenues (3 percent more than fiscal year 2009) and are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues. Charges for services increased somewhat from the prior fiscal year as a result of open enrollment. Operating grants and contributions increased from additional ARRA grant resources received in fiscal year 2010.

General revenues represent 70 percent of the School District's total revenues, and of this amount, over 33 percent is the result of property taxes. General revenues remained fairly similar to the prior fiscal year with an overall change of less than 1 percent.

Expenses increased 5 percent from the prior fiscal year with modest increases reflected in many programs. The increase in the administration program is largely attributed to labor relations attorney fees and additional legal fees associated with River Valley Academy. A portion of the decrease in the operation and maintenance program can be attributed to the School District completing an energy conservation project and receiving reduced rates from one of the electric providers. The major program expense for governmental activities, as expected, is for instruction, which accounts over 59 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	
	2010	2009	2010	2009
Instruction:				
Regular	\$10,323,686	\$9,695,622	\$7,362,479	\$7,184,462
Special	1,628,475	1,504,213	(233,128)	315,290
Vocational	205,794	167,424	129,355	81,541
Support Services:				
Pupils	487,454	451,124	487,454	441,504
Instructional Staff	945,857	883,865	945,857	883,865
Board of Education	15,855	17,701	15,855	17,701
Administration	1,580,319	1,378,922	1,580,319	1,378,922
Fiscal	482,957	475,417	482,957	475,417
Business	34,189	24,806	34,189	24,806
Operation and Maintenance of Plant	1,346,995	1,573,850	1,337,850	1,573,850
Pupil Transportation	1,101,094	971,685	1,096,754	949,334
Central	81,999	77,902	76,999	65,902
Non-Instructional Services	975,261	919,004	47,243	(25,492)
Extracurricular Activities	554,606	561,516	314,680	298,146
Interest and Fiscal Charges	678,302	689,721	678,302	689,721
Total Expenses	<u>\$20,442,843</u>	<u>\$19,392,772</u>	<u>\$14,357,165</u>	<u>\$14,354,969</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

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Only a few of the School District's programs receive a significant amount of program revenues to offset their costs. Again in fiscal year 2010, one of these programs was special instruction which was completely provided for through program revenues, much of this in the form of operating grants restricted for special instruction purposes (additional ARRA grant resources were received in fiscal year 2010). For 2010, 95 percent of the non-instructional services program costs 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, 43 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 activities are a vital part of the life of River Valley students. In addition, this program receives gate receipts for athletic and music events.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund had a 30 percent decrease in fund balance from fiscal year 2009. Both revenues and expenditures changed less than 1 percent from the prior fiscal year; however, expenditures were in excess of current year revenues resulting in cash carryover spending. The change in fund balance in the Classroom Facilities Maintenance Fund was not significant. For the Bond Retirement Fund, debt service requirements exceeded the receipt of property tax and related revenues leading to a decrease in fund balance.

**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 2010, 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 2010, the School District had \$38,225,180 invested in capital assets (net of accumulated depreciation), a 1 percent change from the prior fiscal year. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

**Debt**

The School District's outstanding debt at June 30, 2010, included School Improvement general obligation bonds, in the amount of \$14,869,081. 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 16 to the basic financial statements.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

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**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 2011.

The national and state economy continue to be a concern as state revenues are, at best, predicted to flat line over the next several years. The next state biennium budget continues to be a concern and the phase out of one-time federal funds will have a material impact on the operating statement of the School District. The School District placed a 4.66 mill emergency levy on the November 2009 ballot, which did not pass, and an attempt at an incremental levy in May 2010 also was not approved by the voters. Both levies would generate funds for operational purposes. Most recently, a 5.8 mill emergency levy on the November 2010 ballot, estimated to generate about \$1.5 million annually for five years, did not pass.

The School District currently has a net gain of approximately \$1,500,000 as a result of open enrollment students coming into the School District. However, the School District is continuing to monitor any changes to state law regarding open enrollment and the possible impact to the School District's financial condition.

In August 2010, the operations of the River Valley Academy, a community school sponsored by the River Valley Local School District, continued in a suspended status pending additional information from the State of Ohio on the operation of community schools.

**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.

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**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF NET ASSETS  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT  
JUNE 30, 2010**

	Primary Government	Component Unit
	Governmental Activities	River Valley Academy
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$4,403,957	\$88,732
Cash and Cash Equivalents		
with Fiscal Agent	961,704	0
Accounts Receivable	21,832	0
Accrued Interest Receivable	554	0
Intergovernmental Receivable	602,999	0
Inventory Held for Resale	16,324	0
Materials and Supplies Inventory	55,516	0
Property Taxes Receivable	6,743,368	0
Payment in Lieu of Taxes Receivable	198,714	0
Unamortized Issuance Cost	132,979	0
Nondepreciable Capital Assets	971,089	0
Depreciable Capital Assets, Net	37,254,091	57,847
Total Assets	51,363,127	146,579
<u>Liabilities:</u>		
Accounts Payable	85,749	3,811
Accrued Wages and Benefits Payable	1,482,253	0
Matured Compensated Absences Payable	126,933	0
Intergovernmental Payable	539,594	0
Deferred Revenue	3,720,812	0
Accrued Interest Payable	100,657	0
Separation Benefits Payable	24,756	0
Claims Payable	126,979	0
Long-Term Liabilities:		
Due Within One Year	893,207	0
Due in More Than One Year	14,881,547	0
Total Liabilities	21,982,487	3,811
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	23,635,180	57,847
Restricted For:		
Debt Service	1,436,959	0
Capital Projects	84,290	0
Classroom Facilities Maintenance	1,462,863	0
Other Purposes	711,907	0
Unrestricted	2,049,441	84,921
Total Net Assets	\$29,380,640	\$142,768

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, 2010**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities	River Valley Academy
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$10,323,686	\$2,950,003	\$11,204	(\$7,362,479)	\$0
Special	1,628,475	143,219	1,718,384	233,128	0
Vocational	205,794	0	76,439	(129,355)	0
Support Services:					
Pupils	487,454	0	0	(487,454)	0
Instructional Staff	945,857	0	0	(945,857)	0
Board of Education	15,855	0	0	(15,855)	0
Administration	1,580,319	0	0	(1,580,319)	0
Fiscal	482,957	0	0	(482,957)	0
Business	34,189	0	0	(34,189)	0
Operation and Maintenance of Plant	1,346,995	0	9,145	(1,337,850)	0
Pupil Transportation	1,101,094	0	4,340	(1,096,754)	0
Central	81,999	0	5,000	(76,999)	0
Non-Instructional Services	975,261	563,717	364,301	(47,243)	0
Extracurricular Activities	554,606	184,362	55,564	(314,680)	0
Interest and Fiscal Charges	678,302	0	0	(678,302)	0
Total Governmental Activities	<u>\$20,442,843</u>	<u>\$3,841,301</u>	<u>\$2,244,377</u>	<u>(14,357,165)</u>	<u>0</u>
<u>Component Unit</u>					
River Valley Academy	<u>\$30,361</u>	<u>\$0</u>	<u>\$1,800</u>	<u>0</u>	<u>(28,561)</u>
 <u>General Revenues:</u>					
Property Taxes Levied for General Purposes				5,618,441	0
Property Taxes Levied for Classroom Facilities Maintenance				97,963	0
Property Taxes Levied for Debt Service				943,618	0
Payment in Lieu of Taxes				198,714	0
Grants and Entitlements not Restricted to Specific Programs				6,821,905	607
Interest				59,360	0
Miscellaneous				147,482	0
Total General Revenues				<u>13,887,483</u>	<u>607</u>
Change in Net Assets				(469,682)	(27,954)
Net Assets at Beginning of Year - Restated (Note 3)				<u>29,850,322</u>	<u>170,722</u>
Net Assets at End of Year				<u>\$29,380,640</u>	<u>\$142,768</u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,632,512	\$1,103,178	\$1,103,723	\$530,637	\$4,370,050
Cash and Cash Equivalent with Fiscal Agent	0	0	0	112	112
Accounts Receivable	2,910	0	0	18,922	21,832
Accrued Interest Receivable	0	554	0	0	554
Intergovernmental Receivable	136,080	32	316	466,571	602,999
Interfund Receivable	3,640	328,796	0	0	332,436
Inventory Held for Resale	0	0	0	16,324	16,324
Materials and Supplies Inventory	53,071	0	0	2,445	55,516
<b>Restricted Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	33,907	0	0	0	33,907
Property Taxes Receivable	5,727,337	112,617	903,414	0	6,743,368
Payment in Lieu of Taxes Receivable	198,714	0	0	0	198,714
<b>Total Assets</b>	<b>\$7,788,171</b>	<b>\$1,545,177</b>	<b>\$2,007,453</b>	<b>\$1,035,011</b>	<b>\$12,375,812</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts Payable	\$54,922	\$14,405	\$0	\$16,422	\$85,749
Accrued Wages and Benefits Payable	1,312,053	0	0	170,200	1,482,253
Matured Compensated Absences Payable	126,933	0	0	0	126,933
Intergovernmental Payable	464,685	0	0	74,909	539,594
Interfund Payable	328,796	0	0	3,640	332,436
Deferred Revenue	3,879,437	76,224	551,035	477,945	4,984,641
<b>Total Liabilities</b>	<b>6,166,826</b>	<b>90,629</b>	<b>551,035</b>	<b>743,116</b>	<b>7,551,606</b>
<b>Fund Balances:</b>					
Reserved for Interfund Receivable	0	303,796	0	0	303,796
Reserved for Property Taxes	2,076,138	36,415	352,615	0	2,465,168
Reserved for Bus Purchase	33,907	0	0	0	33,907
Reserved for Encumbrances	24,215	17,003	0	21,902	63,120
Unreserved, Designated for Budget Stabilization	85,600	0	0	0	85,600
<b>Unreserved, Undesignated Reported in:</b>					
General Fund (Deficit)	(598,515)	0	0	0	(598,515)
Special Revenue Funds	0	1,097,334	0	193,418	1,290,752
Debt Service Fund	0	0	1,103,803	0	1,103,803
Capital Projects Funds	0	0	0	76,575	76,575
<b>Total Fund Balances</b>	<b>1,621,345</b>	<b>1,454,548</b>	<b>1,456,418</b>	<b>291,895</b>	<b>4,824,206</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$7,788,171</b>	<b>\$1,545,177</b>	<b>\$2,007,453</b>	<b>\$1,035,011</b>	<b>\$12,375,812</b>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010**

Total Governmental Fund Balances		\$4,824,206
<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>		38,225,180
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	141,548	
Intergovernmental Receivable	466,306	
Property Taxes Receivable	556,618	
Payment in Lieu of Taxes Receivable	99,357	
		1,263,829
<p>Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.</p>		132,979
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(100,657)	
Separation Benefits Payable	(24,756)	
School Improvement Bonds Payable	(14,869,081)	
Compensated Absences Payable	(905,673)	
		(15,900,167)
<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>		834,613
Net Assets of Governmental Activities		\$29,380,640

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, 2010**

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$5,517,020	\$96,141	\$926,644	\$0	\$6,539,805
Payment in Lieu of Taxes	216,702	0	0	0	216,702
Intergovernmental	6,663,153	39,105	297,524	1,594,008	8,593,790
Interest	7,407	17,402	0	179	24,988
Tuition and Fees	2,916,669	0	0	190,440	3,107,109
Extracurricular Activities	0	0	0	240,889	240,889
Charges for Services	0	0	0	428,207	428,207
Miscellaneous	70,461	0	0	78,109	148,570
<b>Total Revenues</b>	<b>15,391,412</b>	<b>152,648</b>	<b>1,224,168</b>	<b>2,531,832</b>	<b>19,300,060</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	9,136,289	0	0	432,137	9,568,426
Special	1,073,190	0	0	502,194	1,575,384
Vocational	189,344	0	0	7,021	196,365
<b>Support Services:</b>					
Pupils	429,875	0	0	43,874	473,749
Instructional Staff	585,268	0	0	331,588	916,856
Board of Education	15,855	0	0	0	15,855
Administration	1,431,084	0	0	73,907	1,504,991
Fiscal	447,110	2,610	25,045	26	474,791
Business	34,189	0	0	0	34,189
Operation and Maintenance of Plant	1,263,415	0	0	15,444	1,278,859
Pupil Transportation	960,705	0	0	12,635	973,340
Central	76,349	0	0	4,988	81,337
Non-Instructional Services	0	0	0	885,127	885,127
Extracurricular Activities	18,457	0	0	358,361	376,818
Capital Outlay	328,796	203,997	0	6,834	539,627
<b>Debt Service:</b>					
Principal Retirement	4,880	0	750,000	0	754,880
Interest and Fiscal Charges	120	0	618,069	0	618,189
<b>Total Expenditures</b>	<b>15,994,926</b>	<b>206,607</b>	<b>1,393,114</b>	<b>2,674,136</b>	<b>20,268,783</b>
Excess of Revenues					
Under Expenditures	(603,514)	(53,959)	(168,946)	(142,304)	(968,723)
<b>Other Financing Sources (Uses):</b>					
Transfers In	0	0	0	96,218	96,218
Transfers Out	(96,218)	0	0	0	(96,218)
<b>Total Other Financing Sources (Uses)</b>	<b>(96,218)</b>	<b>0</b>	<b>0</b>	<b>96,218</b>	<b>0</b>
Changes in Fund Balances	(699,732)	(53,959)	(168,946)	(46,086)	(968,723)
Fund Balances at Beginning of Year	2,321,077	1,508,507	1,625,364	337,981	5,792,929
Fund Balances at End of Year	<u>\$1,621,345</u>	<u>\$1,454,548</u>	<u>\$1,456,418</u>	<u>\$291,895</u>	<u>\$4,824,206</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, 2010**

Changes in Fund Balances - Total Governmental Funds (\$968,723)

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 - Depreciable Capital Assets	397,088	
Depreciation	<u>(851,171)</u>	(454,083)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities.

(5,855)

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

Property Taxes	120,217	
Payment in Lieu of Taxes	(17,988)	
Intergovernmental	414,794	
Tuition and Fees	121,623	
Extracurricular Activities	(963)	
Miscellaneous	<u>867</u>	638,550

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

School Improvement Bonds	750,000	
Capital Leases	<u>4,880</u>	754,880

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net activities. Accounting losses are amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	4,708	
Annual Accretion on Capital Appreciation Bonds	(64,821)	
Amortization of Premium	2,854	
Amortization of Accounting Loss	<u>(2,125)</u>	(59,384)

Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities.

(\$729)

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	(20,860)	
Compensated Absences Payable	<u>36,234</u>	15,374

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	34,551	
Allocated to Activities	<u>(424,263)</u>	(389,712)

Change in Net Assets of Governmental Activities (\$469,682)

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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,643,059	\$6,221,941	\$5,453,537	(\$768,404)
Payment in Lieu of Taxes	186,000	209,612	209,612	0
Intergovernmental	7,301,220	5,915,569	6,639,228	723,659
Interest	75,000	9,000	7,548	(1,452)
Tuition and Fees	2,839,000	2,961,657	2,916,669	(44,988)
Miscellaneous	48,500	60,930	57,930	(3,000)
Total Revenues	<u>15,092,779</u>	<u>15,378,709</u>	<u>15,284,524</u>	<u>(94,185)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,566,227	9,113,555	9,085,951	27,604
Special	1,043,377	1,090,630	1,087,174	3,456
Vocational	144,262	187,917	178,120	9,797
Support Services:				
Pupils	443,438	434,681	433,299	1,382
Instructional Staff	611,792	581,490	575,541	5,949
Board of Education	26,292	16,667	15,855	812
Administration	1,324,264	1,435,732	1,435,575	157
Fiscal	424,146	420,192	419,612	580
Business	58,970	58,970	40,892	18,078
Operation and Maintenance of Plant	1,555,006	1,322,978	1,317,827	5,151
Pupil Transportation	942,594	935,595	933,297	2,298
Central	77,117	77,239	72,236	5,003
Extracurricular Activities	19,229	19,231	18,469	762
Capital Outlay	84,735	328,796	328,796	0
Total Expenditures	<u>16,321,449</u>	<u>16,023,673</u>	<u>15,942,644</u>	<u>81,029</u>
Excess of Revenues				
Under Expenditures	<u>(1,228,670)</u>	<u>(644,964)</u>	<u>(658,120)</u>	<u>(13,156)</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	3,386	3,386	0
Refund of Prior Year Receipts	0	(23,926)	(23,926)	0
Transfers Out	(110,000)	(96,218)	(96,218)	0
Total Other Financing Sources (Uses)	<u>(110,000)</u>	<u>(116,758)</u>	<u>(116,758)</u>	<u>0</u>
Changes in Fund Balance	(1,338,670)	(761,722)	(774,878)	(13,156)
Fund Balance at Beginning of Year	2,003,880	2,003,880	2,003,880	0
Prior Year Encumbrances Appropriated	378,783	378,783	378,783	0
Fund Balance at End of Year	<u>\$1,043,993</u>	<u>\$1,620,941</u>	<u>\$1,607,785</u>	<u>(\$13,156)</u>

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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$103,192	\$88,880	\$95,253	\$6,373
Intergovernmental	16,808	46,000	39,105	(6,895)
Interest	5,000	20,000	18,613	(1,387)
Total Revenues	<u>125,000</u>	<u>154,880</u>	<u>152,971</u>	<u>(1,909)</u>
<u>Expenditures:</u>				
Current:				
Support Services:				
Fiscal	0	6,000	2,610	3,390
Capital Outlay	257,098	252,098	222,695	29,403
Total Expenditures	<u>257,098</u>	<u>258,098</u>	<u>225,305</u>	<u>32,793</u>
Changes in Fund Balance	(132,098)	(103,218)	(72,334)	30,884
Fund Balance at Beginning of Year	1,120,161	1,120,161	1,120,161	0
Prior Year Encumbrances Appropriated	32,098	32,098	32,098	0
Fund Balance at End of Year	<u>\$1,020,161</u>	<u>\$1,049,041</u>	<u>\$1,079,925</u>	<u>\$30,884</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, 2010

	<u>Governmental Activity</u>
	<u>Internal Service</u>
<u>Current Assets:</u>	
Cash and Cash Equivalents with Fiscal Agent	\$961,592
<u>Current Liabilities:</u>	
Claims Payable	<u>126,979</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$834,613</u></u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Governmental Activity
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$1,491,721
<u>Operating Expenses:</u>	
Purchased Services	477,900
Claims	1,438,084
Total Operating Expenses	1,915,984
Operating Loss	(424,263)
Interest Revenue	34,551
Change in Net Assets	(389,712)
Net Assets at Beginning of Year	1,224,325
Net Assets at End of Year	\$834,613

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, 2010**

	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	\$1,491,721
Cash Payments for Goods and Services	(477,900)
Cash Payments for Claims	(1,343,075)
Net Cash Used for Operating Activities	(329,254)
 <u>Cash Flows from Investing Activities:</u>	
Cash Received from Interest	34,551
 Net Decrease in Cash and Cash Equivalents	(294,703)
Cash and Cash Equivalents at Beginning of Year	1,256,295
Cash and Cash Equivalents at End of Year	\$961,592
 Reconciliation of Operating Loss	
<u>to Net Used for Operating Activities:</u>	
Operating Loss	(424,263)
 Adjustments to Reconcile Operating Loss	
<u>to Net Cash Used for Operating Activities:</u>	
Increase in Claims Payable	95,009
Net Cash Used for Operating Activities	(\$329,254)

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,250	\$116,971
<u>Liabilities:</u>		
Due to Students	0	\$115,538
Undistributed Assets	0	1,433
Total Liabilities	0	\$116,971
<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 CHANGE IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Additions:</u>	
Miscellaneous	\$1,000
<u>Deductions:</u>	
Non-Instructional Services	<u>1,000</u>
Change in Net Assets	0
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

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**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

The School District was established in 1960. 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 255<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy classified employees, one hundred twenty-two certified teaching personnel, and sixteen administrative employees who provide services to 2,093 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 22 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 educational 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, 2010  
(Continued)**

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Tri-Rivers Educational Computer Association, the Tri-Rivers Joint Vocational School, the Northwestern Ohio Educational Research Council, Inc., the Metropolitan Educational Council, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan. These organizations are presented in Notes 20 and 21 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 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, 2010  
(Continued)**

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's three major funds are the General Fund, the 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, 2010  
(Continued)**

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**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 noninstructional staff activities 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, 2010  
(Continued)**

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**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, 2010, but which were levied to finance fiscal year 2011 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, 2010  
(Continued)**

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

**D. Basis of Accounting (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 final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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 Educational Service Agency are reflected as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2010, 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, 2010.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**F. Cash and Investments (Continued)**

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2010 was \$7,407, which includes \$2,834 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. Inventory**

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

**H. Restricted Assets**

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

**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, 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	10 - 40 years
Buildings and Building Improvements	20 - 75 years
Furniture, Fixtures, and Equipment	7 - 45 years
Vehicles	10 years

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**J. Interfund Assets/Liabilities**

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

**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.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**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. Unamortized Issuance Costs and Premiums**

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are reported as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and premiums are recognized in the period when the debt is issued.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**N. Unamortized Loss on Advance Refunding**

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

**O. Net Assets**

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

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.

**P. Fund Balance Reserves and Designations**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for interfund receivable, property taxes, bus purchase, 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.

**Q. 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.

**R. 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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**R. Interfund Transactions (Continued)**

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.

**S. Estimates**

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

**Note 3 - Changes in Accounting Principles and Restatement of Net Assets**

**A. Changes in Accounting Principles**

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 3 - Changes in Accounting Principles and Restatement of Net Assets (Continued)**

**B. Restatement of Net Assets**

In fiscal year 2010, the School District changed the accounting treatment applied to the receivable for payment in lieu of taxes. Based on guidance from GASB, this receivable is presently considered a non-exchange transaction and a one year receivable is being recorded. In prior years, this was considered an exchange transaction and the entire receivable was recognized in the initial year.

In the prior fiscal year, River Valley Academy recorded a receivable for grant resources; however, due to suspension of operations, River Valley Academy did not receive the grant.

	Governmental Activities	River Valley Academy
Net Assets at June 30, 2009	\$33,814,922	\$175,518
Payment in Lieu of Taxes Receivable	(3,964,600)	0
Intergovernmental Receivable	0	(4,796)
Restated Net Assets at June 30, 2009	\$29,850,322	\$170,722

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2010, the SAAC, EMIS, CTAE, Title VI-B, Title I, Drug Free, and Improving Teacher Quality special revenue funds had deficit fund balances, in the amount of \$22,108, \$23, \$724, \$16,424, \$35,380, \$1,622, and \$7,654, 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.

**B. Compliance**

The following funds had expenditures (including encumbrances) in excess of appropriations for the fiscal year ended June 30, 2010:

	Appropriations	Expenditures Plus Encumbrances	Excess
Internal Service Fund			
Employee Benefits	\$1,676,697	\$1,961,151	\$284,454

The Treasurer will review budgetary activity to ensure that expenditures are within appropriations and that appropriations are within available estimated resources.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The 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 Fund
GAAP Basis	(\$699,732)	(\$53,959)
<u>Increase (Decrease) Due to:</u>		
Revenue Accruals:		
Accrued FY 2009, Received in Cash FY 2010	2,081,861	37,302
Accrued FY 2010, Not Yet Received in Cash	(2,185,604)	(36,979)
Expenditure Accruals:		
Accrued FY 2009, Paid in Cash FY 2010	(1,864,701)	(9,850)
Accrued FY 2010, Not Yet Paid in Cash	1,958,593	14,405
Unrecorded Cash Activity 2009	670	0
Unrecorded Cash Activity 2010	(429)	0
Materials and Supplies Inventory	(3,691)	0
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(61,845)	(23,253)
Budget Basis	(\$774,878)	(\$72,334)

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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, 2010, the fair value of funds on deposit with STAR Ohio was \$2,572,751. The School District's investments in STAR Ohio have an average maturity of 56 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or 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.

**Note 7 - Receivables**

Receivables at June 30, 2010, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, property taxes, and payment in lieu of 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 interfund and 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	
Major Funds	
General Fund	
Homestead and Rollback	\$1,814
Ohio Department of Education	125,372
Ohio Department of Job and Family Services	1,764
Ridgedale Local School District	7,130
Total General Fund	136,080
Classroom Facilities Maintenance	
Homestead and Rollback	32
Bond Retirement	
Homestead and Rollback	316
Total Major Funds	136,428
Other Governmental Funds	
CTAE	825
Title VI-B	325,656
State Fiscal Stabilization	1,739
Title I	127,488
Drug Free	4,103
Improving Teacher Quality	6,760
Total Other Governmental Funds	466,571
Total Intergovernmental Receivables	\$602,999

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 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, this settlement was not received by the School District within fiscal year 2010.

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, 2010, are available to finance fiscal year 2010 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, 2010, 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 were levied to finance current fiscal year operations and are 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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

The amount available as an advance at June 30, 2010, was \$2,076,138 in the General Fund, \$36,415 in the Classroom Facilities Maintenance special revenue fund, and \$352,615 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2009, was \$2,013,335 in the General Fund, \$35,537 in the Classroom Facilities Maintenance special revenue fund, and \$351,513 in the Bond Retirement debt service fund.

The late tax settlement made by the counties for fiscal year 2010 was \$680 in the General Fund, \$10 in the Classroom Facilities Maintenance special revenue fund, and \$80 in the Bond Retirement debt service fund.

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

The assessed values upon which fiscal year 2010 taxes were collected are:

	<u>2009 Second- Half Collections</u>		<u>2010 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$177,549,670	69.20%	\$178,888,630	69.61%
Industrial/Commercial	69,777,900	27.19	69,376,370	27.00
Public Utility	<u>9,263,670</u>	<u>3.61</u>	<u>8,700,800</u>	<u>3.39</u>
Total Assessed Value	<u>\$256,591,240</u>	<u>100.00%</u>	<u>\$256,965,800</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.41		\$38.41	

**Note 9 - Payment in Lieu of Taxes**

According to State law, Marion County has entered into agreements with a number of property owners under which Marion County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to Marion County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be paid to the School District. The property owners contractually promise to make these payments in lieu of taxes until the agreement expires.

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$971,089	\$0	\$0	\$971,089

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 10 - Capital Assets (Continued)**

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Depreciable Capital Assets				
Land Improvements	\$978,961	\$0	\$0	\$978,961
Buildings and Building Improvements	39,157,928	328,796	0	39,486,724
Furniture, Fixtures, and Equipment	2,267,657	68,292	(159,318)	2,176,631
Vehicles	1,325,110	0	0	1,325,110
<b>Total Depreciable Capital Assets</b>	<b>43,729,656</b>	<b>397,088</b>	<b>(159,318)</b>	<b>43,967,426</b>
Less Accumulated Depreciation				
Land Improvements	(148,044)	(37,034)	0	(185,078)
Buildings and Building Improvements	(3,768,814)	(641,818)	0	(4,410,632)
Furniture, Fixtures, and Equipment	(1,065,479)	(109,854)	153,463	(1,021,870)
Vehicles	(1,033,290)	(62,465)	0	(1,095,755)
<b>Total Accumulated Depreciation</b>	<b>(6,015,627)</b>	<b>(851,171)</b>	<b>153,463</b>	<b>(6,713,335)</b>
<b>Depreciable Capital Assets, Net</b>	<b>37,714,029</b>	<b>(454,083)</b>	<b>(5,855)</b>	<b>37,254,091</b>
Governmental Activities				
Capital Assets, Net	<u>\$38,685,118</u>	<u>(\$454,083)</u>	<u>(\$5,855)</u>	<u>\$38,225,180</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$374,243
Special	30,444
Vocational	15,837
Support Services:	
Pupils	58
Instructional Staff	31,928
Administration	32,557
Fiscal	972
Operation and Maintenance of Plant	37,235
Pupil Transportation	76,873
Central	200
Non-Instructional Services	71,420
Extracurricular Activities	179,404
<b>Total Depreciation Expense</b>	<u><b>\$851,171</b></u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 11 - Interfund Assets/Liabilities**

At June 30, 2010, the General Fund had an interfund receivable, in the amount of \$3,640, from other governmental funds for loans made to those funds. The Classroom Facilities Maintenance special revenue fund had an interfund receivable, in the amount of \$328,796, from the General Fund for the House Bill 264 Energy Project. Interfund receivables, in the amount of \$28,640, is expected to be repaid within one year.

**Note 12 - 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 2010, 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	54,267,338
Vehicle Liability	1,000,000

Coverage provided by the Midwestern Indemnity Company is as follows:

Umbrella Liability	4,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

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

The School District offers medical insurance to all employees through a self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The internal service fund covers claims up to \$500,000 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, 2010, was estimated by the third party administrator at \$126,979.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 12 - 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
2010	\$31,970	\$1,438,084	\$1,343,075	\$126,979
2009	107,274	950,781	1,026,085	31,970

**Note 13 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years 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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 13 - Defined Benefit Pension Plans (Continued)**

**A. State Teachers Retirement System (Continued)**

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$907,914, \$918,469, and \$894,666, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$55,062 made by the school district and \$39,330 made by the plan members.

**B. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$272,144, \$193,421, and \$183,871, respectively; 17 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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, 2010, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 14 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 14 - Postemployment Benefits (Continued)**

**A. State Teachers Retirement System (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$74,075, \$70,699, and \$68,908, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. School Employees Retirement System**

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$33,199.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$9,795, \$88,518, and \$83,906, respectively; 17 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$16,184, \$15,959, and \$13,248, respectively; 17 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 15 - 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.

**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, 2010. 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, 2010, 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 5 percent of the employee' accumulated sick leave as of June 30, 2010, 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, 2010, the liability for separation benefits was \$24,756.

**Note 16 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reduction s	Balance at 6/30/10	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2008 School Improvement Refunding Bonds					
Serial Bonds - 4%	\$8,885,000	\$0	\$50,000	\$8,835,000	\$50,000
Capital Appreciation Bonds	295,000	0	0	295,000	0

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 16 - Long-Term Obligations (Continued)**

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
Accretion on Capital Appreciation Bonds	\$81,281	\$64,821	\$0	\$146,102	\$0
Premium	523,932	0	2,854	521,078	0
Accounting Loss	(390,224)	2,125	0	(388,099)	0
FY2002 School Improvement Bonds 2.2-5.25%	6,160,000	0	700,000	5,460,000	730,000
Total General Obligation Bonds	15,554,989	66,946	752,854	14,869,081	780,000
Compensated Absences Payable	941,907	0	36,234	905,673	113,207
Capital Leases Payable	4,880	0	4,880	0	0
Total Governmental Activities Long -Term Obligations	<u>\$16,501,776</u>	<u>\$66,946</u>	<u>\$793,968</u>	<u>\$15,774,754</u>	<u>\$893,207</u>

FY2008 School Improvement Refunding Bonds - On October 4, 2007, the School District issued bonds, in the amount of \$9,255,000, to partially refund bonds previously issued in fiscal year 2002 for construction of two elementary schools, a middle school, and a high school. The refunding bond issue includes serial and capital appreciation bonds, in the original amount of \$8,960,000 and \$295,000, respectively. The bonds were issued for a fifteen year period, with final maturity during fiscal year 2023. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after November 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on November 1, 2016, in the amount of \$1,115,000. For fiscal year 2010, \$64,821 was accreted on the capital appreciation bonds for a total bond value of \$441,102 at fiscal year end.

As of 6/30/10, \$9,255,000 of the refunded bonds was still outstanding.

FY2002 School Improvement Bonds - On October 21, 2001, the School District issued bonds, in the amount of \$19,600,000, for the construction of two elementary schools, including multipurpose rooms for school and community use; construction of a new middle school and high school and equipping them for technology for classroom instruction; and landscaping. The bonds have an interest rate ranging from 2.2 percent to 5.25 percent. The bonds were issued for a twenty-two year period, with final maturity in fiscal year 2024. During fiscal year 2008, a portion of the serial bonds, in the amount of \$9,255,000, was refunded. The bonds are being retired through the Bond Retirement debt service fund.

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

The School District's overall debt margin was \$9,236,073 with an unvoted debt margin of \$248,552 at June 30, 2010.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 16 - Long-Term Obligations (Continued)**

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2010, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial	Capital Appreciation	Interest	Total
2011	\$780,000	\$0	\$589,256	\$1,369,256
2012	860,000	0	557,368	1,417,368
2013	895,000	0	522,268	1,417,268
2014	935,000	0	478,884	1,413,884
2015	1,010,000	0	432,094	1,442,094
2016-2020	4,490,000	295,000	2,476,540	7,261,540
2021-2024	5,325,000	0	503,958	5,828,958
	\$14,295,000	\$295,000	\$5,560,368	\$20,150,368

**Note 17 - Capital Leases - Lessee Disclosure**

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. The lease was fully paid and depreciated in fiscal year 2010.

**Note 18 - Set Asides**

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 18 - Set Asides (Continued)**

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	Textbooks	Capital Improvements
Balance June 30, 2009	(\$133,715)	\$0
Current Year Set Aside Requirement	336,878	336,878
Qualifying Expenditures	(320,731)	0
Current Year Offsets	0	(336,878)
Balance Carried Forward to Fiscal Year 2011	(\$117,568)	\$0
Set Aside Reserve Balance June 30, 2010	\$0	\$0

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

**Note 19 - Interfund Transfers**

During fiscal year 2010, the General Fund made transfers to other governmental funds, in the amount of \$96,218, to subsidize operations in other funds.

**Note 20 - 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 2010, the School District paid \$57,243 to TRECA for various services. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 100 Executive Drive, Marion, Ohio 43302.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 20 - 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. 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.

**D. 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 21 - Insurance Pools**

**A. Ohio Association of School Business Officials Workers Compensation Group Rating Plan**

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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 21 - Insurance Pools (Continued)**

**B. Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan**

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool comprised of seventy-five members, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible limit and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plans participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which is utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. Contributions in excess of these amounts, along with the proportionate share of interest earned on these contributions, will be returned to the School District.

**Note 22 - 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. Deposits**

At year end, the carrying amount of River Valley Academy's deposits was \$88,732 and the bank balance was \$88,732. The entire bank balance was covered by federal depository insurance.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 22 - River Valley Academy (Continued)**

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Depreciable Capital Assets				
Equipment	\$143,035	\$0	\$0	\$143,035
Less Accumulated Depreciation	(73,869)	(11,319)	0	(85,188)
Capital Assets, Net	<u>\$69,166</u>	<u>(\$11,319)</u>	<u>\$0</u>	<u>\$57,847</u>

**Note 23 - 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, 2010.

**B. Litigation**

There are currently no matters in litigation with the School District as a defendant.

**Note 24 - Subsequent Event**

On March 9, 2009, the River Valley Academy (RVA), the School District's discretely presented component unit, received a letter from the Ohio Department of Education (ODE) summarizing results from a site visit performed over RVA on December 5, 2008. The site visit was conducted in response to complaints ODE has received that alleged the co-mingling of students between RVA and River Valley Local School District. ODE further indicated, as part of this site visit, that a community school is a public, nonprofit, nonsectarian school that operates independently of a school district, but under contract with a sponsoring entity and based on the results of the site visit, ODE cannot confirm that RVA met the definition of a community school. ODE required RVA to immediately begin taking steps to come into full compliance as an independent community school as of August 1, 2009, or lose funding for fiscal year 2010. RVA did not submit a corrective action plan and on August 12, 2009, the Board of Directors voted to suspend the operation of RVA for one year to allow for RVA to develop and implement a corrective action plan. On July 21, 2010, the Board of Directors voted to maintain the suspension into fiscal year 2011.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 85,671	\$ 85,671
Cash Assistance:			
School Breakfast Program	10.553	67,074	67,074
National School Lunch Program	10.555	264,594	264,594
Cash Assistance Subtotal:		<u>331,668</u>	<u>331,668</u>
Total Child Nutrition Cluster		<u>417,339</u>	<u>417,339</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>417,339</u></b>	<b><u>417,339</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through the Ohio Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	334,190	328,553
ARRA-Special Education Grants to States, Recovery Act	84.391	136,630	133,015
Total Special Education Cluster		<u>470,820</u>	<u>461,568</u>
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	274,949	270,362
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	69,797	69,818
Total Title I Cluster		<u>344,746</u>	<u>340,180</u>
Educational Technology State Grants	84.318	2,286	3,762
State Grants for Innovative Programs	84.298	771	1,971
Improving Teacher Quality State Grants	84.367	72,211	69,905
Safe and Drug-Free Schools and Communities_State Grants	84.186	3,766	5,747
ARRA-State Fiscal Stabilization Fund (SFSP)-Education State Grants, Recovery Act	84.394	333,719	266,137
<b>Total U.S. Department of Education</b>		<b><u>1,228,319</u></b>	<b><u>1,149,270</u></b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b><u>\$ 1,645,658</u></b>	<b><u>\$ 1,566,609</u></b>

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

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

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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

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River Valley Local School District  
Marion County  
Independent Accountants' Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards*  
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 9, 2011.

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

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

**Dave Yost**  
Auditor of State

March 9, 2011



# Dave Yost • Auditor of State

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

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 could directly and materially affect each of River Valley Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the River Valley Local School District, Marion County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 9, 2011.

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



**Dave Yost**  
Auditor of State

March 9, 2011

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<p><u>Title I Cluster</u> CFDA #84.010 – Title I Grants to Local Educational Agencies CFDA #84.389 – ARRA-Title I Grants to Local Educational Agencies, Recovery Act</p> <p><u>Special Education Cluster</u> CFDA #84.027 – Special Education_Grants to States CFDA #84.391 – ARRA-Special Education Grants to States, Recovery Act</p> <p>CFDA #84.394 – ARRA-State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act</p>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2010-001</b>
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**Material Noncompliance  
Expenditures Exceeding Appropriations**

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. Ohio Admin. Code § 117-6-02 defines the legal level of control for school districts as the level in which appropriations are approved by the Board.

For fiscal year 2010, the Board approved appropriations at the fund level.

At June 30, 2010, budgetary expenditures exceeded appropriations as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
Employee Benefits	\$1,676,697	\$1,961,151	\$284,454

We recommend the District closely monitor budget vs. actual reports throughout the year to ensure expenditures do not exceed appropriations. In order to keep expenditures within appropriated amounts, the District may amend the annual appropriation measure by approving supplemental appropriations.

**Officials' Response**

We did not receive a response from Officials to this finding.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None



# Dave Yost • 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 31, 2011