



Dave Yost • Auditor of State



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the discretely presented component unit and remaining fund information of the River Valley Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the discretely presented component unit and remaining fund information of the River Valley Local School District, Marion County, Ohio, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 21D to the financial statements, the River Valley Academy, the District's discretely presented component unit, closed effective February 14, 2013. We did not modify our opinion regarding this matter.

As described in Note 3 to the financial statements, in fiscal year ending June 30, 2013, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*, and reclassified the Food Service Fund from a special revenue fund (governmental activities) to an enterprise fund (business-type activities). Our opinion is not modified with respect to these matters.

**Other Matters**

*Required Supplementary Information*

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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as 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 financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 statement is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 24, 2014

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**RIVER VALLERY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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, 2013. 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 2013 are as follows:

In total, net assets decreased \$439,200, or 1 percent, and not a significant change from the prior fiscal year.

General revenues were \$12,966,970, or 73 percent of total revenues, and reflect the School District's continued dependence on property taxes and unrestricted state entitlements. General revenues remained very similar to the prior fiscal year.

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 District's Superintendent and Treasurer with input from the River Valley Finance Committee before presenting to the Board of Education to determine their reasonableness.

Through reductions in force and retirement of employees over the past few years, expenditures for personnel in the General Fund have decreased (in fiscal year 2011, the number of employees paid out of the General Fund was reduced by eleven individuals). The School District's collective bargaining units have also taken cost of living freezes over this time period. The School District continues to deficit spend; however, the implementation of HB59 (the State of Ohio biennium budget) has allowed the School District to project increased revenues in State aide as a result of the new formula. A positive year end fund balance is maintained through fiscal year 2018 using current staffing levels. The five-year financial forecast assumes that a 2.91 mill emergency levy will be renewed as scheduled.

While the General Fund appears relatively healthy, the School District must consider the cost of maintaining a current bus fleet, upkeep of facilities, and changing technology needs. As the buildings age, the current one-half mill maintenance levy, which collects approximately \$130,000 per year, is not enough to provide the necessary resources for upkeep to the buildings. Another area that will require additional resources is technology infrastructure. While the School District spent approximately \$400,000 in fiscal year 2012 to increase wireless capabilities, the current bandwidth used in the operations of the School District, along with the increasing educational needs, is not sufficient to meet the demands of online testing, curriculum, etc. Management is currently looking at options to present to the Board of Education to address these areas.

The Board of Education passed a resolution in October 2013 requiring a cash reserve balance equivalent to 10 percent of operating expenditures. If this goal cannot be met within a certain timeframe, the superintendent and treasurer are required to provide a plan for action to the Board of Education.

**RIVER VALLERY LOCAL SCHOOL DISTICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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The School District continues to be self insured for employee medical/drug insurance; Jefferson Health Plan serves as the administrator of the insurance plan and UMR is the claims administrator. The Self Insurance internal service fund had an operating income in fiscal year 2013. The Employee Benefits Committee continues to look at options to provide adequate health care at an affordable cost to everyone and is especially cognizant of the overhaul of the federal health care system. Currently, the School District believes that any additional costs of implementing health care reform will be the administrative cost.

In November 2013, the School District and Jefferson Health Plan entered into a contract where Jefferson Health Plan will assume the incurred but not reported claims of the School District and in return the School District will stay with Jefferson Health Plan for three years. The impact on the fiscal year 2014 financial statements as a result of this change is undetermined at this time.

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

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

**Reporting the School District as a Whole**

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013. 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 position and changes in net position. This change in net position 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.

**RIVER VALLERY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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In the statement of net position and the statement of activities, the School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Service and School Aged Child Care funds are reported as business-type 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 Bond Retirement debt service fund, and the Food Service enterprise 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 Funds - The School District has two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements and use the accrual basis of accounting. The School District uses enterprise funds to account for the Food Service and School Aged Child Care programs. The internal service fund is an accounting devise used to accumulate and allocate internal costs among other programs and activities. The School District's internal service fund accounts for the self-insured medical insurance and drug program.

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.

**RIVER VALLERY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2013 and fiscal year 2012:

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b><u>Assets</u></b>						
Current and Other Assets	\$11,593,723	\$12,255,444	\$466,231	\$443,843	\$12,059,954	\$12,699,287
Capital Assets, Net	32,840,527	33,246,352	3,720,546	3,735,574	36,561,073	36,981,926
Total Assets	<u>44,434,250</u>	<u>45,501,796</u>	<u>4,186,777</u>	<u>4,179,417</u>	<u>48,621,027</u>	<u>49,681,213</u>
<b><u>Deferred Outflows of Resources</u></b>						
	<u>377,471</u>	<u>381,722</u>	<u>0</u>	<u>0</u>	<u>377,471</u>	<u>381,722</u>
<b><u>Liabilities</u></b>						
Current and Other Liabilities	1,967,345	1,914,717	88,603	88,212	2,055,948	2,002,929
Long-Term Liabilities	13,894,670	14,796,278	36,518	29,935	13,931,188	14,826,213
Total Liabilities	<u>15,862,015</u>	<u>16,710,995</u>	<u>125,121</u>	<u>118,147</u>	<u>15,987,136</u>	<u>16,829,142</u>
<b><u>Deferred Inflows of Resources</u></b>						
	<u>3,920,881</u>	<u>3,704,112</u>	<u>0</u>	<u>0</u>	<u>3,920,881</u>	<u>3,704,112</u>
<b><u>Net Position</u></b>						
Net Investment in Capital Assets	21,638,309	21,339,224	3,720,546	3,735,574	25,358,855	25,074,798
Restricted	2,049,247	2,587,984	0	0	2,049,247	2,587,984
Unrestricted	1,341,269	1,541,203	341,110	325,696	1,682,379	1,866,899
Total Net Position	<u>\$25,028,825</u>	<u>\$25,468,411</u>	<u>\$4,061,656</u>	<u>\$4,061,270</u>	<u>\$29,090,481</u>	<u>\$29,529,681</u>

For governmental activities, the overall change in net assets was not significant, less than 2 percent. However, there were a few changes worth noting. The decrease in current and other assets was largely due to a decrease in cash and cash equivalents associated with upgrading the network district-wide as well as a decrease in intergovernmental receivables due to fewer grant resources outstanding as of fiscal year end, particularly the Education Jobs program which expired. These decreases are also reflected in the decrease in restricted net position. The increase in current and other liabilities reflects an increase in severance payments to employees who retired as of fiscal year end but not paid as of fiscal year end. The decrease in long-term liabilities was due to continued debt payments on the School District's general obligation bonds.

The changes for business type activities were not significant.

**RIVER VALLERY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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(Continued)**

Table 2 reflects the change in net position for fiscal year 2013 and fiscal year 2012.

Table 2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$3,423,875	\$3,480,329	\$535,943	\$581,713	\$3,959,818	\$4,062,042
Operating Grants and Contributions	1,334,258	1,384,324	414,836	430,851	1,749,094	1,815,175
Capital Grants and Contributions	2,750	0	0	0	2,750	0
<b>Total Program Revenues</b>	<b>4,760,883</b>	<b>4,864,653</b>	<b>950,779</b>	<b>1,012,564</b>	<b>5,711,662</b>	<b>5,877,217</b>
<b>General Revenues</b>						
Property Taxes Levied for General Purposes	5,485,311	5,488,340	0	0	5,485,311	5,488,340
Property Taxes Levied for Classroom Facilities Purposes	95,927	95,819	0	0	95,927	95,819
Property Taxes Levied for Debt Service Purposes	1,034,770	1,044,362	0	0	1,034,770	1,044,362
Payment in Lieu of Taxes	229,297	232,376	0	0	229,297	232,376
Grants and Entitlements	5,898,570	6,044,736	0	0	5,898,570	6,044,736
Interest	8,108	21,312	0	0	8,108	21,312
Gifts and Donations	725	10,305	0	0	725	10,305
Other	214,262	165,015	2,060	2,773	216,322	167,788
<b>Total General Revenues</b>	<b>12,966,970</b>	<b>13,102,265</b>	<b>2,060</b>	<b>2,773</b>	<b>12,969,030</b>	<b>13,105,038</b>
<b>Total Revenues</b>	<b>17,727,853</b>	<b>17,966,918</b>	<b>952,839</b>	<b>1,015,337</b>	<b>18,680,692</b>	<b>18,982,255</b>
<b>Expenses</b>						
<b>Instruction:</b>						
Regular	8,871,790	8,998,968	0	0	8,871,790	8,998,968
Special	1,594,423	1,711,539	0	0	1,594,423	1,711,539
Vocational	282,167	283,217	0	0	282,167	283,217
<b>Support Services:</b>						
Pupils	469,688	434,192	0	0	469,688	434,192
Instructional Staff	1,066,185	985,333	0	0	1,066,185	985,333
Board of Education	26,741	17,974	0	0	26,741	17,974
Administration	1,449,541	1,572,641	0	0	1,449,541	1,572,641
Fiscal	460,510	443,267	0	0	460,510	443,267
Business	26,343	52,255	0	0	26,343	52,255
Operation and Maintenance of Plant	1,329,765	1,407,707	0	0	1,329,765	1,407,707
Pupil Transportation	1,148,280	1,138,404	0	0	1,148,280	1,138,404
Central	86,575	83,543	0	0	86,575	83,543
<b>Non-Instructional Services</b>	<b>5,679</b>	<b>88,999</b>	<b>0</b>	<b>0</b>	<b>5,679</b>	<b>88,999</b>
Extracurricular Activities	563,280	579,157	0	0	563,280	579,157
Interest and Fiscal Charges	749,870	632,221	0	0	749,870	632,221
Food Service	0	0	858,624	765,096	858,624	765,096
School Aged Child Care	0	0	130,431	122,839	130,431	122,839
<b>Total Expenses</b>	<b>18,130,837</b>	<b>18,429,417</b>	<b>989,055</b>	<b>887,935</b>	<b>19,119,892</b>	<b>19,317,352</b>
Increase (Decrease) in Net Position Before Transfers	(402,984)	(462,499)	(36,216)	27,402	(439,200)	(335,097)
Transfers	(36,602)	(20,354)	36,602	20,354	0	0
Increase (Decrease) in Net Position Net Position at	(439,586)	(482,853)	386	147,756	(439,200)	(335,097)
Beginning of Year	25,468,411	25,951,264	4,061,270	3,913,514	29,529,681	29,864,778
<b>Net Position at End of Year</b>	<b>\$25,028,825</b>	<b>\$25,468,411</b>	<b>\$4,061,656</b>	<b>\$4,061,270</b>	<b>\$29,090,481</b>	<b>\$29,529,681</b>

**RIVER VALLERY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

For governmental activities, program revenues represented approximately 27 percent of total revenues (no change from fiscal year 2012) are primarily represented by tuition and fees, charges for extracurricular activities, and restricted intergovernmental revenues. Both program revenues and general revenues remained very similar to the prior fiscal year with an overall change of 1 percent.

Overall expenses for governmental activities also remained very similar to the prior fiscal year with a decrease of less than 2 percent. The major program expense for governmental activities, as expected, is for instruction, which accounts 59 percent of all governmental activities 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.

For business-type activities, program revenues provide for 96 percent of program costs.

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	
	2013	2012	2013	2012
Instruction:				
Regular	\$8,871,790	\$8,998,968	\$6,082,667	\$6,224,287
Special	1,594,423	1,711,539	79,780	104,612
Vocational	282,167	283,217	205,057	206,215
Support Services:				
Pupils	469,688	434,192	469,688	434,192
Instructional Staff	1,066,185	985,333	1,066,185	985,333
Board of Education	26,741	17,974	26,741	17,974
Administration	1,449,541	1,572,641	1,449,541	1,572,641
Fiscal	460,510	443,267	443,010	431,267
Business	26,343	52,255	26,343	52,255
Operation and Maintenance of Plant	1,329,765	1,407,707	1,329,765	1,407,707
Pupil Transportation	1,148,280	1,138,404	1,126,112	1,124,245
Central	86,575	83,543	79,375	76,343
Non-Instructional Services	5,679	88,999	5,679	88,999
Extracurricular Activities	563,280	579,157	230,141	206,473
Interest and Fiscal Charges	749,870	632,221	749,870	632,221
Total Expenses	<u>\$18,130,837</u>	<u>\$18,429,417</u>	<u>\$13,369,954</u>	<u>\$13,564,764</u>

**RIVER VALLERY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Program revenues provided for 26 percent of the costs of services during fiscal year 2013 (no change from fiscal year 2012). Only a few of the School District's programs receive a significant amount of program revenues to offset their costs. Again in fiscal year 2013, one of these programs was special instruction; 95 percent of program costs were provided for through program revenues, much of this in the form of operating grants restricted for special instruction purposes. Due to the implementation of an extracurricular fee in fiscal year 2006, 59 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.

**Governmental Funds Financial Analysis**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. For the General Fund, there was an 11 percent decrease in fund balance from fiscal year 2012. Revenues decreased slightly but expenditures increased due to employees that were paid with the Education Jobs grant in the prior fiscal year have now been absorbed by the General Fund.

Debt service requirements exceeded property tax and related receipts in the Bond Retirement Fund resulting in a decrease in fund balance. The School District works with the County Auditor to determine the amount of millage necessary to fulfill the debt service requirements.

**Business-Type Activities Financial Analysis**

The only major enterprise fund is the Food Service fund. Although the program had an operating loss in fiscal year 2013, this fund received federal and state subsidies to end with a positive net position at year end.

**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 2013, 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 2013, the School District had \$32,840,527 invested in capital assets (net of accumulated depreciation) for governmental activities and \$3,720,546 invested in capital assets (net of accumulated depreciation) for business-type activities. The School District upgraded the network in all the buildings and acquired new equipment in governmental activities and purchased a pick-up truck in business-type activities. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

**RIVER VALLERY LOCAL SCHOOL DISTICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

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Debt

The School District's outstanding debt at June 30, 2013, included School Improvement general obligation bonds, in the amount of \$12,951,402. The School District's long-term obligations also include compensated absences and capital leases. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

**Current Issues**

The School District's five-year forecast continues to be the instrument used to make future decisions with regard to program and funding strategies. With budget modifications in the way of reductions and realignment, the School District has been able to forecast a positive cash carryover going into fiscal year 2014. With prudent action on the part of the School District and the benefits of an improving economy statewide, a positive fund balance is projected through 2018.

The School District continues to monitor any changes in law with regard to open enrollment as any change in this law could have a material impact on the School District as this revenue source is about 16 percent of the School District's total revenue.

The River Valley Academy (RVA), a community school sponsored by the River Valley Local School District, has been closed with the closeout process, in particular the disposition of assets, completed in the summer of 2013. The sponsor contract between the School District and RVA ended in June 2012 and the River Valley Board of Education passed a resolution to close RVA in the spring of 2013.

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

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



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF NET POSITION  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT  
JUNE 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	River Valley Academy
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,661,122	\$423,385	\$4,084,507	\$76,691
Cash and Cash Equivalents				
with Fiscal Agent	617,333	0	617,333	0
Accounts Receivable	49,193	7,029	56,222	0
Intergovernmental Receivable	180,533	708	181,241	0
Internal Balances	(21,805)	21,805	0	0
Inventory Held for Resale	1,502	11,184	12,686	0
Materials and Supplies Inventory	28,514	2,120	30,634	0
Property Taxes Receivable	6,850,904	0	6,850,904	0
Payment in Lieu of Taxes Receivable	226,427	0	226,427	0
Nondepreciable Capital Assets	986,790	0	986,790	0
Depreciable Capital Assets, Net	31,853,737	3,720,546	35,574,283	0
Total Assets	<u>44,434,250</u>	<u>4,186,777</u>	<u>48,621,027</u>	<u>76,691</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Charge on Refunding	<u>377,471</u>	<u>0</u>	<u>377,471</u>	<u>0</u>
<b>Liabilities:</b>				
Accounts Payable	170,558	483	171,041	2,000
Accrued Wages and Benefits Payable	1,152,045	50,423	1,202,468	0
Matured Compensated Absences Payable	125,364	0	125,364	0
Intergovernmental Payable	385,188	34,648	419,836	74,691
Accrued Interest Payable	84,061	0	84,061	0
Unearned Revenue	0	3,049	3,049	0
Claims Payable	50,129	0	50,129	0
Long-Term Liabilities:				
Due Within One Year	1,189,168	1,689	1,190,857	0
Due in More Than One Year	12,705,502	34,829	12,740,331	0
Total Liabilities	<u>15,862,015</u>	<u>125,121</u>	<u>15,987,136</u>	<u>76,691</u>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	3,805,685	0	3,805,685	0
Payment in Lieu of Taxes	115,196	0	115,196	0
Total Deferred Inflows of Resources	<u>3,920,881</u>	<u>0</u>	<u>3,920,881</u>	<u>0</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	21,638,309	3,720,546	25,358,855	
Restricted For:				
Debt Service	1,116,711	0	1,116,711	0
Capital Projects	10,096	0	10,096	0
Classroom Facilities Maintenance	686,988	0	686,988	0
Other Purposes	235,452	0	235,452	0
Unrestricted	1,341,269	341,110	1,682,379	0
Total Net Position	<u>\$25,028,825</u>	<u>\$4,061,656</u>	<u>\$29,090,481</u>	<u>\$0</u>

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, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities</u>				
Instruction:				
Regular	\$8,871,790	\$2,783,298	\$5,825	\$0
Special	1,594,423	331,630	1,183,013	0
Vocational	282,167	0	77,110	0
Support Services:				
Pupils	469,688	0	0	0
Instructional Staff	1,066,185	0	0	0
Board of Education	26,741	0	0	0
Administration	1,449,541	0	0	0
Fiscal	460,510	17,500	0	0
Business	26,343	0	0	0
Operation and Maintenance of Plant	1,329,765	0	0	0
Pupil Transportation	1,148,280	8,337	13,831	0
Central	86,575	0	7,200	0
Non-Instructional Services	5,679	0	0	0
Extracurricular Activities	563,280	283,110	47,279	2,750
Interest and Fiscal Charges	749,870	0	0	0
Total Governmental Activities	<u>18,130,837</u>	<u>3,423,875</u>	<u>1,334,258</u>	<u>2,750</u>
<u>Business-Type Activities</u>				
Food Service	858,624	407,362	414,836	0
School Age Child Care	130,431	128,581	0	0
Total Business-Type Activities	<u>989,055</u>	<u>535,943</u>	<u>414,836</u>	<u>0</u>
Total Primary Government	<u>\$19,119,892</u>	<u>\$3,959,818</u>	<u>\$1,749,094</u>	<u>\$2,750</u>
<u>Component Unit</u>				
River Valley Academy	<u>\$8,216</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

General Revenues:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Classroom Facilities Maintenance  
Property Taxes Levied for Debt Service  
Payment in Lieu of Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Gifts and Donations  
Other  
Total General Revenues

Transfers  
Special Item  
Total General Revenues, Transfers, and Special Item

Change in Net Position

Net Position at Beginning of Year - Restated (Note 3)  
Net Position at End of Year

Net (Expense) Revenue and Change in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	River Valley Academy
(\$6,082,667)	\$0	(\$6,082,667)	\$0
(79,780)	0	(79,780)	0
(205,057)	0	(205,057)	0
(469,688)	0	(469,688)	0
(1,066,185)	0	(1,066,185)	0
(26,741)	0	(26,741)	0
(1,449,541)	0	(1,449,541)	0
(443,010)	0	(443,010)	0
(26,343)	0	(26,343)	0
(1,329,765)	0	(1,329,765)	0
(1,126,112)	0	(1,126,112)	0
(79,375)	0	(79,375)	0
(5,679)	0	(5,679)	0
(230,141)	0	(230,141)	0
(749,870)	0	(749,870)	0
<u>(13,369,954)</u>	<u>0</u>	<u>(13,369,954)</u>	<u>0</u>
0	(36,426)	(36,426)	0
0	(1,850)	(1,850)	0
<u>0</u>	<u>(38,276)</u>	<u>(38,276)</u>	<u>0</u>
<u>(13,369,954)</u>	<u>(38,276)</u>	<u>(13,408,230)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,216)</u>
5,485,311	0	5,485,311	0
95,927	0	95,927	0
1,034,770	0	1,034,770	0
229,297	0	229,297	0
5,898,570	0	5,898,570	0
8,108	0	8,108	0
725	0	725	0
214,262	2,060	216,322	0
12,966,970	2,060	12,969,030	0
(36,602)	36,602	0	0
0	0	0	(118,361)
<u>12,930,368</u>	<u>38,662</u>	<u>12,969,030</u>	<u>(118,361)</u>
(439,586)	386	(439,200)	(118,361)
25,468,411	4,061,270	29,529,681	118,361
<u>\$25,028,825</u>	<u>\$4,061,656</u>	<u>\$29,090,481</u>	<u>\$0</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$2,408,045	\$724,943	\$528,134	\$3,661,122
Cash and Cash Equivalents				
with Fiscal Agent	0	0	892	892
Accounts Receivable	28,817	0	20,376	49,193
Intergovernmental Receivable	29,801	0	150,732	180,533
Interfund Receivable	2,805	0	278,796	281,601
Inventory Held for Resale	1,502	0	0	1,502
Materials and Supplies Inventory	28,514	0	0	28,514
Property Taxes Receivable	5,673,729	1,077,320	99,855	6,850,904
Payment in Lieu of Taxes Receivable	226,427	0	0	226,427
<b>Total Assets</b>	<b>\$8,399,640</b>	<b>\$1,802,263</b>	<b>\$1,078,785</b>	<b>\$11,280,688</b>
<b><u>Liabilities</u></b>				
Accounts Payable	\$138,302	\$0	\$32,256	\$170,558
Accrued Wages and Benefits Payable	1,106,327	0	45,718	1,152,045
Matured Compensated Absences Payable	125,364	0	0	125,364
Intergovernmental Payable	371,565	0	13,623	385,188
Interfund Payable	278,796	0	2,805	281,601
<b>Total Liabilities</b>	<b>2,020,354</b>	<b>0</b>	<b>94,402</b>	<b>2,114,756</b>
<b><u>Deferred Inflows of Resources:</u></b>				
Property Taxes	3,148,539	601,491	55,655	3,805,685
Payment in Lieu of Taxes	115,196	0	0	115,196
Unavailable Revenue	498,914	90,914	178,333	768,161
<b>Total Deferred Inflows of Resources</b>	<b>3,762,649</b>	<b>692,405</b>	<b>233,988</b>	<b>4,689,042</b>
<b><u>Fund Balances:</u></b>				
Nonspendable	28,514	0	278,796	307,310
Restricted	2,935	1,109,858	497,161	1,609,954
Assigned	208,164	0	0	208,164
Unassigned (Deficit)	2,377,024	0	(25,562)	2,351,462
<b>Total Fund Balances</b>	<b>2,616,637</b>	<b>1,109,858</b>	<b>750,395</b>	<b>4,476,890</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$8,399,640</b>	<b>\$1,802,263</b>	<b>\$1,078,785</b>	<b>\$11,280,688</b>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013**

Total Governmental Fund Balances		\$4,476,890
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		32,840,527
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	42,972	
Intergovernmental Receivable	149,658	
Delinquent Property Taxes Receivable	<u>575,531</u>	
		768,161
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.		(21,805)
Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.		377,471
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(84,061)	
School Improvement Bonds Payable	(12,951,402)	
Compensated Absences Payable	(669,208)	
Capital Leases Payable	<u>(274,060)</u>	
		(13,978,731)
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 position.		<u>566,312</u>
Net Position of Governmental Activities		<u><u>\$25,028,825</u></u>

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, 2013**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$5,488,281	\$1,035,697	\$95,974	\$6,619,952
Payment in Lieu of Taxes	229,297	0	0	229,297
Intergovernmental	6,070,525	316,363	747,053	7,133,941
Interest	2,536	0	0	2,536
Tuition and Fees	3,110,827	0	0	3,110,827
Extracurricular Activities	0	0	323,622	323,622
Charges for Services	25,837	0	0	25,837
Gifts and Donations	725	0	2,896	3,621
Other	212,358	0	9,246	221,604
Total Revenues	<u>15,140,386</u>	<u>1,352,060</u>	<u>1,178,791</u>	<u>17,671,237</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,300,286	0	17,128	8,317,414
Special	1,170,672	0	397,496	1,568,168
Vocational	266,507	0	3,819	270,326
Support Services:				
Pupils	465,146	0	4,320	469,466
Instructional Staff	743,569	0	283,753	1,027,322
Board of Education	26,741	0	0	26,741
Administration	1,491,667	0	20,547	1,512,214
Fiscal	424,940	28,568	2,645	456,153
Business	87,623	0	0	87,623
Operation and Maintenance of Plant	1,223,274	0	421,519	1,644,793
Pupil Transportation	1,074,644	0	1,246	1,075,890
Central	80,307	0	0	80,307
Extracurricular Activities	17,129	0	369,841	386,970
Capital Outlay	0	0	178,056	178,056
Debt Service:				
Principal Retirement	83,844	895,000	0	978,844
Interest and Fiscal Charges	10,927	522,268	0	533,195
Total Expenditures	<u>15,467,276</u>	<u>1,445,836</u>	<u>1,700,370</u>	<u>18,613,482</u>
Excess of Revenues				
Under Expenditures	<u>(326,890)</u>	<u>(93,776)</u>	<u>(521,579)</u>	<u>(942,245)</u>
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	54,524	0	0	54,524
Transfers In	0	0	45,873	45,873
Transfers Out	<u>(45,873)</u>	<u>0</u>	<u>0</u>	<u>(45,873)</u>
Total Other Financing Sources (Uses)	<u>8,651</u>	<u>0</u>	<u>45,873</u>	<u>54,524</u>
Changes in Fund Balances	(318,239)	(93,776)	(475,706)	(887,721)
Fund Balances at Beginning of Year - Restated (Note 3)	<u>2,934,876</u>	<u>1,203,634</u>	<u>1,226,101</u>	<u>5,364,611</u>
Fund Balances at End of Year	<u>\$2,616,637</u>	<u>\$1,109,858</u>	<u>\$750,395</u>	<u>\$4,476,890</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, 2013**

Changes in Fund Balances - Total Governmental Funds (\$887,721)

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

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

Capital Outlay - Nondepreciable Capital Assets	15,701	
Capital Outlay - Depreciable Capital Assets	402,093	
Capital Contributions	2,750	
Depreciation	<u>(823,744)</u>	(403,200)

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

(2,625)

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

Delinquent Property Taxes	(3,944)	
Intergovernmental	48,712	
Tuition and Fees	4,101	
Extracurricular Activities	(1,405)	
Miscellaneous	<u>830</u>	48,294

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

School Improvement Bonds	895,000	
Capital Leases	<u>83,844</u>	978,844

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net position

(54,524)

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

Accrued Interest Payable	(124,828)	
Annual Accretion on Capital Appreciation Bonds	(93,303)	
Amortization of Premium	5,707	
Amortization of Deferred Charge on Refunding	<u>(4,251)</u>	(216,675)

Compensated absences 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.

\$64,884

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	5,572	
Allocated to Activities	<u>27,565</u>	<u>33,137</u>

Change in Net Position of Governmental Activities (\$439,586)

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, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Revenues:</u>				
Property Taxes	\$5,130,806	\$5,130,806	\$5,536,958	\$406,152
Payment in Lieu of Taxes	227,000	224,388	224,352	(36)
Intergovernmental	6,022,859	6,396,624	6,070,525	(326,099)
Interest	3,300	3,300	2,546	(754)
Tuition and Fees	3,138,623	3,110,861	3,112,373	1,512
Charges for Services	52,248	52,248	52,248	0
Gifts and Donations	0	725	725	0
Other	95,252	170,759	172,957	2,198
Total Revenues	<u>14,670,088</u>	<u>15,089,711</u>	<u>15,172,684</u>	<u>82,973</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,225,835	8,287,176	8,279,236	7,940
Special	1,247,334	1,190,415	1,149,162	41,253
Vocational	251,860	273,718	267,751	5,967
Support Services:				
Pupils	435,717	462,245	445,157	17,088
Instructional Staff	699,734	724,938	740,751	(15,813)
Board of Education	30,350	29,700	26,741	2,959
Administration	1,465,001	1,526,990	1,498,891	28,099
Fiscal	453,389	446,297	441,767	4,530
Business	54,947	55,100	46,365	8,735
Operation and Maintenance of Plant	1,348,808	1,254,959	1,230,265	24,694
Pupil Transportation	1,101,750	1,125,657	1,168,523	(42,866)
Central	96,563	83,507	81,358	2,149
Extracurricular Activities	9,382	38,285	39,407	(1,122)
Total Expenditures	<u>15,420,670</u>	<u>15,498,987</u>	<u>15,415,374</u>	<u>83,613</u>
Excess of Revenues				
Under Expenditures	<u>(750,582)</u>	<u>(409,276)</u>	<u>(242,690)</u>	<u>166,586</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	3,000	6,700	6,700	0
Refund of Prior Year Receipts	0	0	(8,092)	(8,092)
Advances Out	(25,000)	(25,000)	(25,000)	0
Transfers Out	(45,000)	(46,000)	(45,873)	127
Total Other Financing Sources (Uses)	<u>(67,000)</u>	<u>(64,300)</u>	<u>(72,265)</u>	<u>(7,965)</u>
Changes in Fund Balance	(817,582)	(473,576)	(314,955)	158,621
Fund Balance at Beginning of Year	2,412,138	2,412,138	2,412,138	0
Prior Year Encumbrances Appropriated	80,557	80,557	80,557	0
Fund Balance at End of Year	<u>\$1,675,113</u>	<u>\$2,019,119</u>	<u>\$2,177,740</u>	<u>\$158,621</u>

See Accompanying Notes to the Basic Financial Statements



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	Business-Type Activities			Governmental
	Food Service	Other Enterprise	Total Enterprise	Activity Internal Service
<b>Assets</b>				
<b>Current Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$402,973	\$20,412	\$423,385	\$0
Cash and Cash Equivalents with Fiscal Agent	0	0	0	616,441
Accounts Receivable	0	7,029	7,029	0
Intergovernmental Receivable	488	220	708	0
Inventory Held for Resale	11,184	0	11,184	0
Materials and Supplies Inventory	2,120	0	2,120	0
<b>Total Current Assets</b>	<b>416,765</b>	<b>27,661</b>	<b>444,426</b>	<b>616,441</b>
<b>Non-Current Assets:</b>				
Depreciable Capital Assets, Net	3,720,546	0	3,720,546	0
<b>Total Assets</b>	<b>4,137,311</b>	<b>27,661</b>	<b>4,164,972</b>	<b>616,441</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable	0	483	483	0
Accrued Wages and Benefits Payable	39,885	10,538	50,423	0
Intergovernmental Payable	20,535	14,113	34,648	0
Unearned Revenue	0	3,049	3,049	0
Claims Payable	0	0	0	50,129
Compensated Absences Payable	451	1,238	1,689	0
<b>Total Current Liabilities</b>	<b>60,871</b>	<b>29,421</b>	<b>90,292</b>	<b>50,129</b>
<b>Non-Current Liabilities:</b>				
Compensated Absences Payable	32,663	2,166	34,829	0
<b>Total Liabilities</b>	<b>93,534</b>	<b>31,587</b>	<b>125,121</b>	<b>50,129</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	3,720,546	0	3,720,546	0
Unrestricted (Deficit)	323,231	(3,926)	319,305	566,312
<b>Total Net Position (Deficit)</b>	<b>\$4,043,777</b>	<b>(\$3,926)</b>	<b>4,039,851</b>	<b>\$566,312</b>

Net position reported for business-type activities on the statement of net position is different because it includes a proportionate share of the balance of the internal service fund.

	21,805
Net position of business-type activities	\$4,061,656

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Business-Type Activities			Governmental Activity
	Food Service	Other Enterprise	Total Enterprise	Internal Service
<u>Operating Revenues:</u>				
Charges for Services	\$407,362	\$128,581	\$535,943	\$1,971,866
Other	1,840	220	2,060	0
Total Operating Revenues	<u>409,202</u>	<u>128,801</u>	<u>538,003</u>	<u>1,971,866</u>
<u>Operating Expenses:</u>				
Salaries	242,039	92,411	334,450	0
Fringe Benefits	130,575	20,263	150,838	0
Purchased Services	44,256	6,041	50,297	691,929
Materials and Supplies	2,514	11,716	14,230	0
Claims	0	0	0	1,250,921
Cost of Sales	370,641	0	370,641	0
Other	336	0	336	0
Depreciation	69,714	0	69,714	0
Total Operating Expenses	<u>860,075</u>	<u>130,431</u>	<u>990,506</u>	<u>1,942,850</u>
Operating Income (Loss)	<u>(450,873)</u>	<u>(1,630)</u>	<u>(452,503)</u>	<u>29,016</u>
<u>Non-Operating Revenues</u>				
Donated Commodities	36,761	0	36,761	0
Grants	377,081	0	377,081	0
Interest Revenue	994	0	994	5,572
Total Non-Operating Revenues	<u>414,836</u>	<u>0</u>	<u>414,836</u>	<u>5,572</u>
Income (Loss) before Contributions	(36,037)	(1,630)	(37,667)	34,588
Capital Contributions	<u>36,602</u>	<u>0</u>	<u>36,602</u>	<u>0</u>
Changes in Net Position	565	(1,630)	(1,065)	34,588
Net Position (Deficit) at Beginning of Year - Restated (Note 3)	<u>4,043,212</u>	<u>(2,296)</u>		<u>531,724</u>
Net Position (Deficit) at End of Year	<u><u>\$4,043,777</u></u>	<u><u>(\$3,926)</u></u>		<u><u>\$566,312</u></u>

The change in net position reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net income of the internal service fund.

1,451
<u><u>\$386</u></u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Business-Type Activities			Governmental
	Food Service	Other Enterprise	Total Enterprise	Activity Internal Service
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$407,362	\$131,593	\$538,955	\$0
Cash Received from Transactions with Other Funds	0	0	0	1,971,866
Cash Received from Other Revenues	2,030	0	2,030	0
Cash Payments for Salaries	(241,131)	(90,026)	(331,157)	0
Cash Payments for Fringe Benefits	(123,360)	(22,013)	(145,373)	0
Cash Payments for Goods and Services	(388,345)	(18,131)	(406,476)	(691,929)
Cash Payments for Claims	0	0	0	(1,331,560)
Cash Payments for Other Expenses	(336)	0	(336)	0
Net Cash Provided by (Used for) Operating Activities	(343,780)	1,423	(342,357)	(51,623)
<u>Cash Flows from Noncapital Financing Activities</u>				
Grants	377,081	0	377,081	0
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition of Capital Assets	(18,084)	0	(18,084)	0
<u>Cash Flows from Investing Activities:</u>				
Cash Received from Interest	994	0	994	5,572
Net Increase (Decrease) in Cash and Cash Equivalents	16,211	1,423	17,634	(46,051)
Cash and Cash Equivalents at Beginning of Year	386,762	18,989	405,751	662,492
Cash and Cash Equivalents at End of Year	<u>\$402,973</u>	<u>\$20,412</u>	<u>\$423,385</u>	<u>\$616,441</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss)	(\$450,873)	(\$1,630)	(\$452,503)	\$29,016
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Depreciation	69,714	0	69,714	0
Donated Commodities Used During the Year	36,761	0	36,761	0
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	678	3,256	3,934	0
Increase in Intergovernmental Receivable	(488)	(220)	(708)	0
Increase in Materials and Supplies Inventory	(5,880)	0	(5,880)	0
Increase in Inventory Held for Resale	(649)	0	(649)	0
Decrease in Accounts Payable	(1,166)	(374)	(1,540)	0
Increase in Accrued Wages and Benefits Payable	4,017	1,782	5,799	0
Decrease in Intergovernmental Payable	(1,858)	(1,766)	(3,624)	0
Decrease in Unearned Revenue	0	(244)	(244)	0
Decrease in Claims Payable	0	0	0	(80,639)
Increase in Compensated Absences Payable	5,964	619	6,583	0
Net Cash Provided by (Used for) Operating Activities	<u>(\$343,780)</u>	<u>\$1,423</u>	<u>(\$342,357)</u>	<u>(\$51,623)</u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,250	\$122,725
<u>Liabilities:</u>		
Due to Students	0	\$119,006
Undistributed Assets	0	3,719
Total Liabilities	0	\$122,725
<u>Net Position:</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 POSITION  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Additions:</u>	\$0
<u>Deductions:</u>	<u>0</u>
Change in Net Position	0
Net Position at Beginning of Year	<u>1,250</u>
Net Position 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, 2013**

**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 248<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-one classified employees, one hundred nine certified teaching personnel, and seventeen administrative employees who provide services to 2,040 students and other community members. The School District currently operates four instructional buildings, an administration building, and a bus garage.

**Reporting Entity**

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

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

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

River Valley Academy - RVA is a legally separate, not-for-profit corporation. RVA, under a contractual agreement with the River Valley Local School District, provides 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. RVA suspended operations and was closed on February 14, 2013.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

The School District participates in four jointly governed organizations and three 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 Schools Council Workers' Compensation Group Rating Plan, the Jefferson Health Plan, and the Ohio School Plan. These organizations are presented in Notes 22 and 23 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. 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 position 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 position 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. These statements 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). The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net position presents the financial condition of the governmental and business-type 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 and business-type 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 and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity 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, 2013  
(Continued)**

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

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial reporting 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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The School District's two major governmental funds are the General 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.

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for property taxes and other resources restricted for 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, committed, or assigned to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, change in net position, financial position, and cash flows. The School District reports two types of proprietary funds; enterprise and internal service.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the School District's major enterprise fund:

Food Service - The Food Service fund accounts for grants and charges for services related to the School District's food service operations.

The other enterprise fund of the School District accounts for operations of the after school child care program.

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 position and changes in net position. 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 position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds 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 outflows and deferred inflows of resources, 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.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not yet been met because these amounts have not yet been earned.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources consists of a deferred charge on refunding reported on the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources consists of property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

Expenses/Expenditures

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

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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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 Jefferson Health Plan are reflected as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2013, investments consisted of STAR Ohio. 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 net asset value per share, which is the price the investment could be sold for on June 30, 2013.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2013 was \$2,536, which includes \$815 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 expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**H. 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 position but are not reported on the fund financial statements.

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

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 40 years
Buildings and Building Improvements	20 - 75 years
Furniture, Fixtures, and Equipment	5 - 45 years
Vehicles	10 years

**I. Deferred Charge on 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 deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

**J. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from interfund loans are classified as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net position, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

**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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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 funds 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 Premiums**

On government-wide financial statements, premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

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

**N. Capital Contributions**

Capital contributions arise from contributions of capital assets from outside sources and other funds.

**O. Net Position**

Net position represents the difference between all other elements on the statement of net position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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 position is available.

**P. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term portion of interfund receivables.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**Q. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for the food service program, school age child care, and insurance premiums. 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 between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary funds. 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 - Change in Accounting Principles and Restatement of Fund Balance/Net Position**

**A. Change in Accounting Principles**

For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 61, "The Financial Reporting Entity: Omnibus", " Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to the School District's financial statements.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Position**  
(continued)

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in the statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The implementation of this statement did not result in any change to net position as previously stated but is incorporated in the accompanying financial statements as it relates to the closing of RVA.

**B. Restatement of Fund Balance/Net Position**

For fiscal year 2013, the School District is reporting the food service operations as an enterprise fund. In prior fiscal years, this activity had been reported in a special revenue fund.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Position**  
(continued)

The restatement had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Bond Retirement	Other Governmental	Total Governmental Funds	Food Service
Fund Balance/Net Position at June 30, 2012	\$2,934,876	\$1,203,634	\$1,560,889	\$5,699,399	\$0
Change in Fund Structure	0	0	(334,788)	(334,788)	334,788
Compensated Absences	0	0	0	0	(27,150)
Depreciable Capital Assets	0	0	0	0	4,320,232
Accumulated Depreciation	0	0	0	0	(584,658)
Adjusted Fund Balance/Net Position at June 30, 2012	<u>\$2,934,876</u>	<u>\$1,203,634</u>	<u>\$1,226,101</u>	<u>\$5,364,611</u>	<u>\$4,043,212</u>

The restatement had the following effect on net position.

	Total Governmental Activities	Total Business-Type Activities
Net Position (Deficit) at June 30, 2012	\$29,531,977	(\$2,296)
Change in Fund Structure	(334,788)	334,788
Compensated Absences	27,150	(27,150)
Depreciable Capital Assets	(4,320,232)	4,320,232
Accumulated Depreciation	584,658	(584,658)
Internal Service Fund Allocation	(20,354)	20,354
Restated Net Position at June 30, 2012	<u>\$25,468,411</u>	<u>\$4,061,270</u>

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2013, the Network Connectivity, CTAE, Limited English Proficiency, Title I, and Improving Teacher Quality special revenue funds had deficit fund balances, in the amount of \$3,600, \$1,035, \$1,770, \$14,116, and \$5,041, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The Employee Benefits internal service fund had expenditures/expenses plus encumbrances in excess of appropriations, in the amount of \$238,626 for the fiscal year ended June 30, 2013. The Treasurer will monitor budgetary transactions to ensure that expenditures/expenses are within appropriations.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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 is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are as follows:

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

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

	General Fund
GAAP Basis	(\$318,239)
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals:	
Accrued FY 2012, Received in Cash FY 2013	2,235,113
Accrued FY 2013, Not Yet Received in Cash	(2,196,125)
Expenditure Accruals:	
Accrued FY 2012, Paid in Cash FY 2013	(1,522,650)
Accrued FY 2013, Not Yet Paid in Cash	1,741,558
	(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

	General Fund
Unrecorded Cash Activity FY 2012	\$10
Materials and Supplies Inventory	3,488
Advances Out	(25,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(233,110)
Budget Basis	(\$314,955)

**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;

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptance if training requirements have been met.

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

Investments

As of June 30, 2013, the fair value of funds on deposit with STAR Ohio was \$3,333,566. The School District's investments in STAR Ohio had an average maturity of 57.5 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, 2013, consisted of accounts (student fees and billings for user charged services), 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 Fund	
General Fund	
North Central Ohio Educational Service Center	\$6,363
Ohio Bureau of Workers' Compensation	22,608
School Employees Retirement System	830
Total Major Fund	29,801
	(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 7 - Receivables** (continued)

	Amount
Governmental Activities (continued)	
Other Governmental Funds	
CTAE	\$868
Title VI-B	87,374
Limited English Proficiency	1,729
Title I	54,232
Improving Teacher Quality	6,529
Total Other Governmental Funds	150,732
Total Governmental Activities	\$180,533
 Business-Type Activities	
Major Fund	
Food Service	
Ohio Bureau of Workers' Compensation	\$488
Other Enterprise Fund	
School Age Child Care	220
Total Business-Type Activities	\$708

**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 and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2013, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2013, was \$2,048,951 in the General Fund, \$35,822 in the Classroom Facilities Maintenance special revenue fund, and \$384,915 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2012, was \$2,097,628 in the General Fund, \$36,588 in the Classroom Facilities Maintenance special revenue fund, and \$397,675 in the Bond Retirement debt service fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$184,582,040	70.93%	\$185,038,590	70.98%
Industrial/Commercial	66,890,310	25.71	66,432,380	25.48
Public Utility	8,738,290	3.36	9,231,250	3.54
Total Assessed Value	<u>\$260,210,640</u>	<u>100.00%</u>	<u>\$260,702,220</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.89		\$38.89	

**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.



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Restated Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$971,089	\$0	\$0	\$971,089
Construction in Progress	0	15,701	0	15,701
Total Nondepreciable Capital Assets	<u>971,089</u>	<u>15,701</u>	<u>0</u>	<u>986,790</u>
Depreciable Capital Assets				
Land Improvements	978,961	0	0	978,961
Buildings and Building Improvements	35,684,960	296,145	0	35,981,105
Furniture, Fixtures, and Equipment	1,661,485	108,698	(13,367)	1,756,816
Vehicles	1,399,400	0	0	1,399,400
Total Depreciable Capital Assets	<u>39,724,806</u>	<u>404,843</u>	<u>(13,367)</u>	<u>40,116,282</u>
Less Accumulated Depreciation				
Land Improvements	(259,145)	(37,033)	0	(296,178)
Buildings and Building Improvements	(5,240,248)	(619,371)	0	(5,859,619)
Furniture, Fixtures, and Equipment	(1,025,162)	(98,962)	10,742	(1,113,382)
Vehicles	(924,988)	(68,378)	0	(993,366)
Total Accumulated Depreciation	<u>(7,449,543)</u>	<u>(823,744)</u>	<u>10,742</u>	<u>(8,262,545)</u>
Depreciable Capital Assets, Net	<u>32,275,263</u>	<u>(418,901)</u>	<u>(2,625)</u>	<u>31,853,737</u>
Governmental Activities Capital Assets, Net	<u>\$33,246,352</u>	<u>(\$403,200)</u>	<u>(\$2,625)</u>	<u>\$32,840,527</u>

During fiscal year 2013, governmental funds accepted contributions of capital assets from outside sources, in the amount of \$2,750.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

	Restated Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Business-Type Activities				
Depreciable Capital Assets				
Buildings and Building Improvements	\$3,801,764	\$36,602	\$0	\$3,838,366
Furniture, Fixtures, and Equipment	518,468	0	0	518,468
Vehicles	0	18,084	0	18,084
Total Depreciable Capital Assets	<u>4,320,232</u>	<u>54,686</u>	<u>0</u>	<u>4,374,918</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	(456,212)	(54,045)	0	(510,257)
Furniture, Fixtures, and Equipment	(128,446)	(14,313)	0	(142,759)
Vehicles	0	(1,356)	0	(1,356)
Total Accumulated Depreciation	<u>(584,658)</u>	<u>(69,714)</u>	<u>0</u>	<u>(654,372)</u>
Depreciable Capital Assets, Net	<u>3,735,574</u>	<u>(15,028)</u>	<u>0</u>	<u>3,720,546</u>
Business-Type Activities Capital Assets, Net	<u>\$3,735,574</u>	<u>(\$15,028)</u>	<u>0</u>	<u>\$3,720,546</u>

During fiscal year 2013, business-type activities accepted contributions of capital assets from governmental activities, in the amount of \$36,602.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$389,871
Special	29,353
Vocational	15,718
Support Services:	
Pupils	512
Instructional Staff	36,508
Administration	39,765
Fiscal	1,158
Operation and Maintenance of Plant	42,233
Pupil Transportation	83,042
Central	200
Non-Instructional Services	5,679
Extracurricular Activities	179,705
Total Depreciation Expense	<u>\$823,744</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 11 - Interfund Assets/Liabilities**

At June 30, 2013, the General Fund had an interfund receivable, in the amount of \$2,805, from other governmental funds for loans made to those funds. Other governmental funds had an interfund receivable, in the amount of \$278,796, from the General Fund for the House Bill 264 Energy Project. Interfund receivables, in the amount of \$2,805 in the General Fund are 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 2013, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$5,000,000
General Aggregate	7,000,000
Building and Contents	60,248,775
Vehicle Liability	5,000,000

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

For the fiscal year 2013, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Ohio Schools Council 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 workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of 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, 2013, was estimated by the third party administrator at \$50,129.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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
2013	\$130,768	\$1,250,921	\$1,331,560	\$50,129
2012	161,729	1,732,651	1,763,612	130,768

**Note 13 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$770,357 and \$47,660 for the fiscal year ended June 30, 2013, \$795,009 and \$47,059 for the fiscal year ended June 30, 2012, and \$868,557 and \$48,075 for the fiscal year ended June 30, 2011. For fiscal year 2013, 83 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$7,472 made by the School District and \$5,337 made by the plan members. In addition, member contributions of \$34,043 were made for fiscal year 2013 for the defined contribution portion of the CP.

**B. School Employees Retirement System**

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 was \$281,379, \$268,236, and \$264,983, respectively. For fiscal year 2013, 56 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**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, 2013, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 14 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The School District participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$63,499, \$65,424, and \$70,650, respectively. For fiscal year 2013, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**B. School Employees Retirement System**

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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 obligation 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 can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

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 105(e). For fiscal year 2013, .16 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 2013, this amount was \$20,525. For fiscal year 2013, the School District paid \$37,870 in surcharge.

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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$3,437, \$11,617, and \$32,085, respectively. For fiscal year 2013, 56 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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 2013, this actuarially required allocation was .74 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$15,895, \$15,841, and \$17,052, respectively. For fiscal year 2013, 56 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**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 Metropolitan Educational Council, respectively.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 16 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Restated Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2008 School Improvement Refunding Bonds					
Serial Bonds - 4%	\$8,685,000	\$0	\$100,000	\$8,585,000	\$100,000
Capital Appreciation Bonds	295,000	0	0	295,000	0
Accretion on Capital Appreciation Bonds	296,289	93,303	0	389,592	0
Premium	512,517	0	5,707	506,810	0
FY2002 School Improvement Bonds 2.2-5.25%	3,970,000	0	795,000	3,175,000	835,000
Total General Obligation Bonds	13,758,806	93,303	900,707	12,951,402	935,000
Compensated Absences Payable	734,092	41,946	106,830	669,208	161,671
Capital Leases Payable	303,380	54,524	83,844	274,060	92,497
Total Governmental Activities Long -Term Obligations	<u>\$14,796,278</u>	<u>\$189,773</u>	<u>\$1,091,381</u>	<u>\$13,894,670</u>	<u>\$1,189,168</u>
Business-Type Activities					
Compensated Absences Payable	\$29,935	\$6,583	\$0	\$36,518	\$1,689

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 the 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 2012, \$93,303 was accreted on the capital appreciation bonds for a total bond value of \$684,592 at fiscal year end.

As of 6/30/13, the refunded bonds were fully retired.



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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 enterprise funds.

Capital leases obligations will be paid from the fund that maintains custody of the related asset.

The School District's overall debt margin was \$11,714,124 with an unvoted debt margin of \$251,770 at June 30, 2013.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2013, were as follows:

Fiscal Year Ending	General Obligation Bonds		Interest	Total
	Serial	Capital Appreciation		
2014	\$935,000	\$0	\$478,884	\$1,413,884
2015	1,010,000	0	432,094	1,442,094
2016	1,100,000	0	388,788	1,488,788
2017	0	295,000	1,186,788	1,481,788
2018	1,080,000	0	345,188	1,425,188
2019-2023	6,180,000	0	1,021,540	7,201,540
2024	1,455,000	0	38,194	1,493,194
	<u>\$11,760,000</u>	<u>\$295,000</u>	<u>\$3,891,476</u>	<u>\$15,946,476</u>

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

The School District has entered into capital leases for buses and copiers. New capital leases are reflected in the accounts "Business" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2013 were \$83,844.

	Governmental Activities
Property under Capital Lease	\$443,299
Less Accumulated Depreciation	(79,056)
Total June 30, 2013	<u>\$364,243</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 17 - Capital Leases - Lessee Disclosure** (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2013.

Year	Governmental Activities	
	Principal	Interest
2014	\$92,497	\$8,967
2015	95,854	5,611
2016	85,709	2,368
	\$274,060	\$16,946

**Note 18 - Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Interfund Receivable	\$0	\$0	\$278,796	\$278,796
Materials and Supplies Inventory	28,514	0	0	28,514
Total Nonspendable	28,514	0	278,796	307,310
Restricted for:				
Athletics and Music	0	0	78,925	78,925
Debt Retirement	0	1,109,858	0	1,109,858
Inventory Held for Resale	1,502	0	0	1,502
Permanent Improvements	0	0	10,096	10,096
Regular Instruction	1,433	0	3,012	4,445
School Facilities Maintenance	0	0	399,814	399,814
Special Instruction	0	0	4,764	4,764
Vocational Instruction	0	0	550	550
Total Restricted	2,935	1,109,858	497,161	1,609,954
Assigned for:				
Educational Activities	46,163	0	0	46,163
Unpaid Obligations	162,001	0	0	162,001
Total Assigned	208,164	0	0	208,164
Unassigned (Deficit)	2,377,024	0	(25,562)	2,351,462
Total Fund Balance	\$2,616,637	\$1,109,858	\$750,395	\$4,476,890

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 19 - 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 acquisition and construction of capital improvements. The amount 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. This amount must be carried forward and used for the same purpose in future years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2013.

	Capital Improvements
Balance June 30, 2012	\$0
Current Year Set Aside Requirement	350,463
Current Year Offsets	<u>(350,463)</u>
Balance June 30, 2013	<u><u>\$0</u></u>

**Note 20 - Interfund Transfers**

During fiscal year 2013, the General Fund made transfers to other governmental funds, in the amount of \$45,873, to subsidize operations in other funds.

**Note 21 - River Valley Academy**

**A. Basis of Presentation**

River Valley Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net position. River Valley Academy uses the 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 \$76,691 and the bank balance was \$76,691. The entire bank balance was covered by federal depository insurance.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 21 - River Valley Academy** (continued)

**C. Capital Assets**

Capital asset activity for the period July 1, 2012 to February 14, 2013 was as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 2/14/13
Depreciable Capital Assets				
Equipment	\$143,035	\$0	(\$143,035)	\$0
Less Accumulated Depreciation	(103,758)	(5,823)	109,581	0
Capital Assets, Net	<u>\$39,277</u>	<u>(\$5,823)</u>	<u>(\$33,454)</u>	<u>\$0</u>

**D. Termination of Operations**

RVA ceased operations on February 14, 2013.

**Note 22 - 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 Athens, Crawford, Delaware, Erie, Knox, Licking, Marion, Morrow, Muskingum, Union, 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 2013, the School District paid \$29,599 to TRECA for various services. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 100 Executive Drive, Marion, Ohio 43302.

**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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 22 - Jointly Governed Organizations** (continued)

**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., 441 East Market Street, Celina, Ohio, 45822.

**D. Metropolitan Educational Council**

The Metropolitan Education Council (MEC) is a purchasing cooperative made up of one hundred ninety-three school districts, libraries, and related agencies in fifty-two 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 Education Council, 2100 Citygate Drive, Columbus, Ohio 43219.

**Note 23 - Insurance Pools**

**A. Ohio Schools Council 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 Schools Council Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Schools Council (OSC) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a nine member Board of Directors consisting of superintendents from the member districts. 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, 2013  
(Continued)**

**Note 23 - Insurance Pools** (continued)

**B. Jefferson Health Plan**

The School District participates in the Jefferson Health 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 are 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.

**C. Ohio School Plan**

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Note 24 - 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, 2013.

**B. Litigation**

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

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**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 49,066	\$ 49,066
Cash Assistance:			
School Breakfast Program	10.553	82,253	82,253
National School Lunch Program	10.555	286,686	286,686
Total Child Nutrition Cluster		<u>418,005</u>	<u>418,005</u>
Team Nutrition Grants	10.574	<u>2,375</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>		<u><b>420,380</b></u>	<u><b>418,005</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>			
Special Education - Grants to States	84.027	355,740	350,383
Title I Grants to Local Educational Agencies	84.010	381,312	348,206
Improving Teacher Quality State Grants	84.367	57,369	54,641
English Language Acquisition State Grants	84.365	-	1,770
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395	3,150	-
Education Technology State Grants	84.318	1,639	255
Education Jobs Fund	84.410	<u>62,474</u>	<u>27,801</u>
<b>Total U.S. Department of Education</b>		<u><b>861,684</b></u>	<u><b>783,056</b></u>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<u><b>\$ 1,282,064</b></u>	<u><b>\$ 1,201,061</b></u>

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports River Valley Local School District's (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 fair 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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the River Valley Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2014, wherein we noted the River Valley Academy, the District's discretely presented component unit, closed effective February 14, 2013. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*, and reclassified its Food Service Fund from a special revenue fund (governmental activities) to an enterprise fund (business-type activities).

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not for the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 24, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited the River Valley Local School District's, Marion County, Ohio, (the District's) compliance with the applicable 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, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination on the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, River Valley Local School District, Marion County, Ohio complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 24, 2014

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<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>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<u>Nutrition Cluster</u> CFDA #10.553 – School Breakfast Program CFDA #10.555 – National School Lunch Program  CFDA #84.027 – Special Education - Grants to States
<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, 2013  
(Continued)

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

**FINDING 2013-001**

**Budgetary Expenditures Exceed Appropriations  
Material Non-Compliance**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the District is the level at which the Board adopts the original appropriation measure.

Budgetary expenditures exceeded appropriations for the year ended June 30, 2013 at the fund level as follows:

<u>Fund #</u>	<u>Fund Name</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
024	Employee Benefits Fund	\$ 1,842,863	\$ 2,081,489	\$ (238,626)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and resulted in deficit spending in the Employee Benefits Fund.

The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Officials' Response:**

The District acknowledges the citation and has implemented controls to prevent further non-compliance.

**3. FINDINGS FOR FEDERAL AWARDS**

None





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether River Valley Local District, Marion County, Ohio, (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on May 22, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 24, 2014

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# 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 11, 2014**