



Dave Yost • Auditor of State

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
General Purpose External Financial Statements:	
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	21
Statement of Fund Net Position – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Net Position – Fiduciary Funds.....	25
Statement of Change in Fiduciary Net Position – Private Purpose Trust Fund.....	26
Notes to the Basic Financial Statements	27
Schedule of Federal Awards Receipts and Expenditures.....	55
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	56
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	57
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A133.....	59
Schedule of Findings.....	61

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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 aggregate remaining fund information of River Valley Local School District, Marion County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School 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 aggregate remaining fund information of River valley Local School District, Marion County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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* 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 School 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 relates 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 schedule 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 13, 2015 on our consideration of the School 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 School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 13, 2015

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River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of River Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

In total, net position increased \$726,627, or less than 3 percent, and not a significant change from the prior fiscal year (3 percent increase for governmental activities and 3 percent decrease for business-type activities).

General revenues were \$13,966,405, or 71 percent of total revenues, and reflect the School District's dependence on property taxes and unrestricted state entitlements.

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 2014. 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.

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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.

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 device 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 Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 and fiscal year 2013:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Assets</u>						
Current and Other Assets	\$11,878,349	\$11,593,723	\$453,074	\$466,231	\$12,331,423	\$12,059,954
Capital Assets, Net	32,058,477	32,840,527	3,652,192	3,720,546	35,710,669	36,561,073
Total Assets	43,936,826	44,434,250	4,105,266	4,186,777	48,042,092	48,621,027
<u>Deferred Outflows of Resources</u>						
	373,220	377,471	0	0	373,220	377,471
<u>Liabilities</u>						
Current and Other Liabilities	1,754,096	1,967,345	105,249	88,603	1,859,345	2,055,948
Long-Term Liabilities	12,812,497	13,894,670	37,772	36,518	12,850,269	13,931,188
Total Liabilities	14,566,593	15,862,015	143,021	125,121	14,709,614	15,987,136
<u>Deferred Inflows of Resources</u>						
	3,888,590	3,920,881	0	0	3,888,590	3,920,881
<u>Net Position</u>						
Net Investment in Capital Assets	21,947,137	21,638,309	3,652,192	3,720,546	25,599,329	25,358,855
Restricted	2,061,499	2,049,247	0	0	2,061,499	2,049,247
Unrestricted	1,846,227	1,341,269	310,053	341,110	2,156,280	1,682,379
Total Net Position	\$25,854,863	\$25,028,825	\$3,962,245	\$4,061,656	\$29,817,108	\$29,090,481

The above table demonstrates that there were no changes of significance for governmental activities with an overall change in net position less than 3 percent. The most significant change is reflected in the decrease in long-term liabilities due to scheduled principal retirement on long-term obligations.

There were also no changes of significance for business-type activities.

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 reflects the change in net position for fiscal year 2014 and fiscal year 2013.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$3,424,293	\$3,423,875	\$489,940	\$535,943	\$3,914,233	\$3,959,818
Operating Grants and Contributions	1,517,658	1,334,258	405,177	414,836	1,922,835	1,749,094
Capital Grants and Contributions	0	2,750	0	0	0	2,750
Total Program Revenues	4,941,951	4,760,883	895,117	950,779	5,837,068	5,711,662
General Revenues						
Property Taxes Levied for General Purposes	5,939,046	5,485,311	0	0	5,939,046	5,485,311
Property Taxes Levied for Classroom Facilities Purposes	96,131	95,927	0	0	96,131	95,927
Property Taxes Levied for Debt Service Purposes	1,128,574	1,034,770	0	0	1,128,574	1,034,770
Payment in Lieu of Taxes	278,248	229,297	0	0	278,248	229,297
Grants and Entitlements	6,406,998	5,898,570	0	0	6,406,998	5,898,570
Interest	3,777	8,108	0	0	3,777	8,108
Gifts and Donations	1,364	725	0	0	1,364	725
Other	112,257	214,262	10	2,060	112,267	216,322
Total General Revenues	13,966,395	12,966,970	10	2,060	13,966,405	12,969,030
Total Revenues	18,908,346	17,727,853	895,127	952,839	19,803,473	18,680,692
<u>Expenses</u>						
Instruction:						
Regular	9,164,711	8,871,790	0	0	9,164,711	8,871,790
Special	1,780,873	1,594,423	0	0	1,780,873	1,594,423
Vocational	264,427	282,167	0	0	264,427	282,167
Support Services:						
Pupils	896,135	469,688	0	0	896,135	469,688
Instructional Staff	585,411	1,066,185	0	0	585,411	1,066,185
Board of Education	73,484	26,741	0	0	73,484	26,741
Administration	1,313,922	1,449,541	0	0	1,313,922	1,449,541
Fiscal	445,853	460,510	0	0	445,853	460,510
Business	24,020	26,343	0	0	24,020	26,343
Operation and Maintenance of Plant	1,240,461	1,329,765	0	0	1,240,461	1,329,765
Pupil Transportation	1,043,257	1,148,280	0	0	1,043,257	1,148,280
Central	94,144	86,575	0	0	94,144	86,575
Non-Instructional Services	5,679	5,679	0	0	5,679	5,679
Extracurricular Activities	559,841	563,280	0	0	559,841	563,280
Interest and Fiscal Charges	590,090	749,870	0	0	590,090	749,870
Food Service	0	0	853,564	858,624	853,564	858,624
School Aged Child Care	0	0	140,974	130,431	140,974	130,431
Total Expenses	18,082,308	18,130,837	994,538	989,055	19,076,846	19,119,892
Increase (Decrease) in Net Position						
Before Transfers	826,038	(402,984)	(99,411)	(36,216)	726,627	(439,200)
Transfers	0	(36,602)	0	36,602	0	0
Increase (Decrease) in Net Position	826,038	(439,586)	(99,411)	386	726,627	(439,200)
Net Position at						
Beginning of Year	25,028,825	25,468,411	4,061,656	4,061,270	29,090,481	29,529,681
Net Position at End of Year	\$25,854,863	\$25,028,825	\$3,962,245	\$4,061,656	\$29,817,108	\$29,090,481

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

For governmental activities, program revenues represented approximately 26 percent of total revenues (27 percent for fiscal year 2013) and are primarily represented by tuition and fees, charges for extracurricular activities, and restricted intergovernmental revenues. The most significant change was the increase in operating grants and contributions due to a change in the funding formula for State foundation resources. There was an 8 percent increase in general revenues from the prior fiscal year. The increase in property tax revenues can be attributed to a \$25 million increase in the assessed valuation of property as well as additional taxes available for advance as of fiscal year end (dependent on the timing of tax collections). The increase in unrestricted grants and entitlements is also due to a change in the funding formula for State foundation resources.

For governmental activities expenses, there was little change from the prior fiscal year (less than 1 percent change). There were modest increases in the regular and special instruction programs due to several additional teachers. The change in the pupils and instructional staff programs represents the reclassification of some staff among programs. The major program expense for governmental activities, as expected, is for instruction, which accounts 62 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 which have a significant role in delivering education.

For business-type activities, program revenues provided for a majority 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	
	2014	2013	2014	2013
Instruction:				
Regular	\$9,164,711	\$8,871,790	\$6,277,018	\$6,082,667
Special	1,780,873	1,594,423	181,122	79,780
Vocational	264,427	282,167	172,972	205,057
Support Services:				
Pupils	896,135	469,688	894,588	469,688
Instructional Staff	585,411	1,066,185	585,411	1,066,185
Board of Education	73,484	26,741	73,484	26,741
Administration	1,313,922	1,449,541	1,313,922	1,449,541
Fiscal	445,853	460,510	428,353	443,010
Business	24,020	26,343	24,020	26,343
Operation and Maintenance of Plant	1,240,461	1,329,765	1,240,461	1,329,765
Pupil Transportation	1,043,257	1,148,280	1,024,440	1,126,112
Central	94,144	86,575	86,944	79,375
Non-Instructional Services	5,679	5,679	5,679	5,679
Extracurricular Activities	559,841	563,280	241,863	230,141
Interest and Fiscal Charges	590,090	749,870	590,090	749,870
Total Expenses	<u>\$18,082,308</u>	<u>\$18,130,837</u>	<u>\$13,140,357</u>	<u>\$13,369,954</u>

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Program revenues provided for 27 percent of the costs of services during fiscal year 2014 (a 1 percent increase from fiscal year 2013). Only a few of the School District's programs receive a significant amount of program revenues to offset their costs. Again in fiscal year 2014, one of these programs was special instruction; 90 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, 57 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 a 7 percent increase in fund balance primarily due to the increase in property taxes and State foundation resources discussed previously. Expenditures were similar to the prior fiscal year.

The change in fund balance in the Bond Retirement Fund was not significant.

Business-Type Activities Financial Analysis

The only major enterprise fund is the Food Service fund. Although the program had an operating loss and decrease in net position in fiscal year 2014, the fund had a positive net position at fiscal 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 2014, the School District amended its General Fund budget as needed. For revenues, the change from the original budget to the final budget was to reflect the adjusted estimates for property tax revenue and State foundation resources. Changes from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget as well as from the final budget to actual expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$32,058,477 invested in capital assets (net of accumulated depreciation) for governmental activities and \$3,652,192 invested in capital assets (net of accumulated depreciation) for business-type activities. Additions and disposals were minimal. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Debt

The School District's outstanding debt at June 30, 2014, included School Improvement general obligation bonds, in the amount of \$12,118,720. 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 2015. 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 fiscal year 2019.

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.

Sharon Malcom, the School District's treasurer since 1999, is retiring effective December 31, 2014. Sandra Griscom will become the new treasurer beginning January 1, 2015.

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 Sandra Griscom, Treasurer, River Valley Local School District, 197 Brocklesby Road, Caledonia, Ohio 43314.

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River Valley Local School District
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,302,989	\$395,289	\$3,698,278
Cash and Cash Equivalents			
with Fiscal Agent	999,882	0	999,882
Accounts Receivable	85,526	4,076	89,602
Intergovernmental Receivable	224,155	3,586	227,741
Internal Balances	(39,183)	39,183	0
Inventory Held for Resale	0	8,756	8,756
Materials and Supplies Inventory	28,823	2,184	31,007
Property Taxes Receivable	7,013,150	0	7,013,150
Payment in Lieu of Taxes Receivable	263,007	0	263,007
Nondepreciable Capital Assets	971,089	0	971,089
Depreciable Capital Assets, Net	31,087,388	3,652,192	34,739,580
Total Assets	<u>43,936,826</u>	<u>4,105,266</u>	<u>48,042,092</u>
<u>Deferred Outflows of Resources:</u>			
Deferred Charge on Refunding	<u>373,220</u>	<u>0</u>	<u>373,220</u>
<u>Liabilities:</u>			
Accounts Payable	89,698	15,401	105,099
Accrued Wages and Benefits Payable	1,182,043	51,013	1,233,056
Matured Compensated Absences Payable	2,270	0	2,270
Intergovernmental Payable	320,882	34,149	355,031
Accrued Interest Payable	75,567	0	75,567
Unearned Revenue	0	4,686	4,686
Claims Payable	83,636	0	83,636
Long-Term Liabilities:			
Due Within One Year	1,099,225	1,739	1,100,964
Due in More Than One Year	11,713,272	36,033	11,749,305
Total Liabilities	<u>14,566,593</u>	<u>143,021</u>	<u>14,709,614</u>
<u>Deferred Inflows of Resources:</u>			
Property Taxes	3,755,438	0	3,755,438
Payment in Lieu of Taxes	133,152	0	133,152
Total Deferred Inflows of Resources	<u>3,888,590</u>	<u>0</u>	<u>3,888,590</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	21,947,137	3,652,192	25,599,329
Restricted For:			
Debt Service	1,136,771	0	1,136,771
Capital Projects	4,364	0	4,364
Classroom Facilities Maintenance	667,800	0	667,800
Other Purposes	252,564	0	252,564
Unrestricted	1,846,227	310,053	2,156,280
Total Net Position	<u>\$25,854,863</u>	<u>\$3,962,245</u>	<u>\$29,817,108</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$9,164,711	\$2,850,173	\$37,520
Special	1,780,873	295,083	1,304,678
Vocational	264,427	0	91,455
Support Services:			
Pupils	896,135	0	1,547
Instructional Staff	585,411	0	0
Board of Education	73,484	0	0
Administration	1,313,922	0	0
Fiscal	445,853	17,500	0
Business	24,020	0	0
Operation and Maintenance of Plant	1,240,461	0	0
Pupil Transportation	1,043,257	0	18,817
Central	94,144	0	7,200
Non-Instructional Services	5,679	0	0
Extracurricular Activities	559,841	261,537	56,441
Interest and Fiscal Charges	590,090	0	0
Total Governmental Activities	<u>18,082,308</u>	<u>3,424,293</u>	<u>1,517,658</u>
<u>Business-Type Activities:</u>			
Food Service	853,564	354,342	405,177
School Age Child Care	140,974	135,598	0
Total Business-Type Activities	<u>994,538</u>	<u>489,940</u>	<u>405,177</u>
Total	<u>\$19,076,846</u>	<u>\$3,914,233</u>	<u>\$1,922,835</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

Change in Net Position

Net Position at Beginning of Year
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Position

Governmental Activities	Business-Type Activities	Total
(\$6,277,018)	\$0	(\$6,277,018)
(181,112)	0	(181,112)
(172,972)	0	(172,972)
(894,588)	0	(894,588)
(585,411)	0	(585,411)
(73,484)	0	(73,484)
(1,313,922)	0	(1,313,922)
(428,353)	0	(428,353)
(24,020)	0	(24,020)
(1,240,461)	0	(1,240,461)
(1,024,440)	0	(1,024,440)
(86,944)	0	(86,944)
(5,679)	0	(5,679)
(241,863)	0	(241,863)
(590,090)	0	(590,090)
(13,140,357)	0	(13,140,357)
0	(94,045)	(94,045)
0	(5,376)	(5,376)
0	(99,421)	(99,421)
(13,140,357)	(99,421)	(13,239,778)
5,939,046	0	5,939,046
96,131	0	96,131
1,128,574	0	1,128,574
278,248	0	278,248
6,406,998	0	6,406,998
3,777	0	3,777
1,364	0	1,364
112,257	10	112,267
13,966,395	10	13,966,405
826,038	(99,411)	726,627
25,028,825	4,061,656	29,090,481
\$25,854,863	\$3,962,245	\$29,817,108

River Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,138,060	\$700,196	\$464,733	\$3,302,989
Cash and Cash Equivalents				
with Fiscal Agent	0	0	250	250
Accounts Receivable	67,398	0	18,128	85,526
Intergovernmental Receivable	17,500	0	206,655	224,155
Interfund Receivable	13,795	0	278,796	292,591
Materials and Supplies Inventory	28,823	0	0	28,823
Property Taxes Receivable	5,838,174	1,075,765	99,211	7,013,150
Payment in Lieu of Taxes Receivable	263,007	0	0	263,007
Total Assets	<u>\$8,366,757</u>	<u>\$1,775,961</u>	<u>\$1,067,773</u>	<u>\$11,210,491</u>
<u>Liabilities:</u>				
Accounts Payable	\$79,778	\$0	\$9,920	\$89,698
Accrued Wages and Benefits Payable	1,127,300	0	54,743	1,182,043
Matured Compensated Absences Payable	2,270	0	0	2,270
Intergovernmental Payable	309,109	0	11,773	320,882
Interfund Payable	278,796	0	13,795	292,591
Total Liabilities	<u>1,797,253</u>	<u>0</u>	<u>90,231</u>	<u>1,887,484</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	3,136,514	563,623	55,301	3,755,438
Payment in Lieu of Taxes	133,152	0	0	133,152
Unavailable Revenue	507,605	85,379	228,464	821,448
Total Deferred Inflows of Resources	<u>3,777,271</u>	<u>649,002</u>	<u>283,765</u>	<u>4,710,038</u>
<u>Fund Balances:</u>				
Nonspendable	28,823	0	253,796	282,619
Restricted	0	1,126,959	517,788	1,644,747
Assigned	769,300	0	0	769,300
Unassigned (Deficit)	1,994,110	0	(77,807)	1,916,303
Total Fund Balances	<u>2,792,233</u>	<u>1,126,959</u>	<u>693,777</u>	<u>4,612,969</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$8,366,757</u>	<u>\$1,775,961</u>	<u>\$1,067,773</u>	<u>\$11,210,491</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Balances	\$4,612,969
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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.	32,058,477
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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	74,959	
Intergovernmental Receivable	206,505	
Delinquent Property Taxes Receivable	539,984	
		821,448

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.	(39,183)
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Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.	373,220
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(75,567)	
School Improvement Bonds Payable	(12,118,720)	
Compensated Absences Payable	(668,210)	
Capital Leases Payable	(25,567)	
		(12,888,064)

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.	915,996
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Net Position of Governmental Activities	\$25,854,863
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See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$5,967,934	\$1,134,109	\$97,255	\$7,199,298
Payment in Lieu of Taxes	278,248	0	0	278,248
Intergovernmental	6,677,856	324,236	807,729	7,809,821
Interest	1,656	0	0	1,656
Tuition and Fees	3,124,347	0	0	3,124,347
Extracurricular Activities	0	0	319,177	319,177
Gifts and Donations	0	0	2,911	2,911
Other	113,087	0	4,393	117,480
Total Revenues	<u>16,163,128</u>	<u>1,458,345</u>	<u>1,231,465</u>	<u>18,852,938</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,643,704	0	170,389	8,814,093
Special	1,438,472	0	349,741	1,788,213
Vocational	248,203	0	3,734	251,937
Support Services:				
Pupils	806,765	0	78,539	885,304
Instructional Staff	392,685	0	188,373	581,058
Board of Education	25,526	0	47,958	73,484
Administration	1,309,719	0	1,573	1,311,292
Fiscal	420,184	27,360	2,401	449,945
Business	26,862	0	0	26,862
Operation and Maintenance of Plant	1,223,151	0	4,263	1,227,414
Pupil Transportation	1,017,130	0	1,485	1,018,615
Central	93,944	0	0	93,944
Extracurricular Activities	34,253	0	344,897	379,150
Capital Outlay	0	0	140,040	140,040
Debt Service:				
Principal Retirement	248,493	935,000	0	1,183,493
Interest and Fiscal Charges	13,131	478,884	0	492,015
Total Expenditures	<u>15,942,222</u>	<u>1,441,244</u>	<u>1,333,393</u>	<u>18,716,859</u>
Excess of Revenues Over (Under) Expenditures	<u>220,906</u>	<u>17,101</u>	<u>(101,928)</u>	<u>136,079</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	45,310	45,310
Transfers Out	(45,310)	0	0	(45,310)
Total Other Financing Sources (Uses)	<u>(45,310)</u>	<u>0</u>	<u>45,310</u>	<u>0</u>
Changes in Fund Balances	175,596	17,101	(56,618)	136,079
Fund Balances at Beginning of Year	<u>2,616,637</u>	<u>1,109,858</u>	<u>750,395</u>	<u>4,476,890</u>
Fund Balances at End of Year	<u>\$2,792,233</u>	<u>\$1,126,959</u>	<u>\$693,777</u>	<u>\$4,612,969</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
 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, 2014

Changes in Fund Balances - Total Governmental Funds \$136,079

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	8,903	
Capital Outlay - Depreciable Capital Assets	34,933	
Depreciation	<u>(824,941)</u>	(781,105)

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. (945)

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

Delinquent Property Taxes	(35,547)	
Intergovernmental	56,847	
Tuition and Fees	20,909	
Extracurricular Activities	(5,592)	
Charges for Services	17,500	
Miscellaneous	<u>(830)</u>	53,287

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	935,000	
Capital Leases	<u>248,493</u>	1,183,493

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	8,494	
Annual Accretion on Capital Appreciation Bonds	(108,025)	
Amortization of Premium	5,707	
Amortization of Deferred Charge on Refunding	<u>(4,251)</u>	(98,075)

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. 998

(continued)

River Valley Local School District
 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, 2014
 (continued)

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	\$2,121	
Allocated to Activities	<u>330,185</u>	
		<u>332,306</u>
Change in Net Position of Governmental Activities		<u><u>\$826,038</u></u>
See Accompanying Notes to the Basic Financial Statements		

River Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$5,197,490	\$5,726,370	\$5,762,576	\$36,206
Payment in Lieu of Taxes	227,000	259,624	259,624	0
Intergovernmental	6,003,577	6,584,113	6,677,856	93,743
Interest	3,300	1,800	1,656	(144)
Tuition and Fees	3,088,623	3,175,103	3,124,164	(50,939)
Other	301,500	142,626	117,720	(24,906)
Total Revenues	<u>14,821,490</u>	<u>15,889,636</u>	<u>15,943,596</u>	<u>53,960</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,680,694	8,636,869	8,564,327	72,542
Special	1,458,171	1,397,330	1,441,761	(44,431)
Vocational	243,320	273,939	272,745	1,194
Support Services:				
Pupils	709,150	735,203	739,484	(4,281)
Instructional Staff	466,351	453,677	440,062	13,615
Board of Education	28,641	25,526	25,526	0
Administration	1,478,724	1,475,797	1,421,773	54,024
Fiscal	462,944	420,197	420,167	30
Business	56,284	53,984	46,955	7,029
Operation and Maintenance of Plant	1,298,921	1,274,780	1,262,531	12,249
Pupil Transportation	1,233,122	1,353,188	1,286,922	66,266
Central	91,559	107,167	99,965	7,202
Extracurricular Activities	36,401	36,630	38,253	(1,623)
Uniform School Supplies				
Regular	31,828	40,313	39,770	543
Public School Support				
Pupils	60,530	64,983	50,954	14,029
Incentives				
Pupils	0	379	0	379
Artsonia/Kalb				
Pupils	0	43	0	43
Rotary				
Pupils	0	175	0	175
Total Expenditures	<u>16,336,640</u>	<u>16,350,180</u>	<u>16,151,195</u>	<u>198,985</u>
Excess of Revenues Under Expenditures	<u>(1,515,150)</u>	<u>(460,544)</u>	<u>(207,599)</u>	<u>252,945</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	3,000	3,515	6,849	3,334
Refund of Prior Year Receipts	(117,000)	(117,000)	(117,405)	(405)
Transfers Out	(45,000)	(45,000)	(45,310)	(310)
Total Other Financing Sources (Uses)	<u>(159,000)</u>	<u>(158,485)</u>	<u>(155,866)</u>	<u>2,619</u>
Changes in Fund Balance	(1,674,150)	(619,029)	(363,465)	255,564
Fund Balance at Beginning of Year	2,177,305	2,177,305	2,177,305	0
Prior Year Encumbrances Appropriated	232,112	232,112	232,112	0
Fund Balance at End of Year	<u>\$735,267</u>	<u>\$1,790,388</u>	<u>\$2,045,952</u>	<u>\$255,564</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2014

	Business-Type Activities			Governmental
	Food Service	Other Enterprise	Total Enterprise	Activity Internal Service
<u>Assets:</u>				
<u>Current Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$374,660	\$20,629	\$395,289	\$0
Cash and Cash Equivalents with Fiscal Agent	0	0	0	999,632
Accounts Receivable	100	3,976	4,076	0
Intergovernmental Receivable	0	3,586	3,586	0
Inventory Held for Resale	8,756	0	8,756	0
Materials and Supplies Inventory	2,184	0	2,184	0
Total Current Assets	385,700	28,191	413,891	999,632
<u>Non-Current Assets:</u>				
Depreciable Capital Assets, Net	3,652,192	0	3,652,192	0
Total Assets	4,037,892	28,191	4,066,083	999,632
<u>Liabilities:</u>				
<u>Current Liabilities:</u>				
Accounts Payable	12,828	2,573	15,401	0
Accrued Wages and Benefits Payable	39,663	11,350	51,013	0
Intergovernmental Payable	18,669	15,480	34,149	0
Unearned Revenue	0	4,686	4,686	0
Claims Payable	0	0	0	83,636
Compensated Absences Payable	347	1,392	1,739	0
Total Current Liabilities	71,507	35,481	106,988	83,636
<u>Non-Current Liabilities:</u>				
Compensated Absences Payable	34,021	2,012	36,033	0
Total Liabilities	105,528	37,493	143,021	83,636
<u>Net Position:</u>				
Net Investment in Capital Assets	3,652,192	0	3,652,192	0
Unrestricted (Deficit)	280,172	(9,302)	270,870	915,996
Total Net Position (Deficit)	\$3,932,364	(\$9,302)	3,923,062	\$915,996

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.

	39,183
Net position of business-type activities	<u>\$3,962,245</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities			Governmental Activity
	Food Service	Other Enterprise	Total Enterprise	Internal Service
<u>Operating Revenues:</u>				
Charges for Services	\$354,342	\$135,598	\$489,940	\$2,479,181
Other	10	0	10	0
Total Operating Revenues	<u>354,352</u>	<u>135,598</u>	<u>489,950</u>	<u>2,479,181</u>
<u>Operating Expenses:</u>				
Salaries	240,043	96,045	336,088	0
Fringe Benefits	144,955	25,369	170,324	0
Purchased Services	38,431	7,242	45,673	544,305
Materials and Supplies	16,262	12,318	28,580	0
Claims	0	0	0	1,587,313
Cost of Sales	360,569	0	360,569	0
Other	336	0	336	0
Depreciation	70,346	0	70,346	0
Total Operating Expenses	<u>870,942</u>	<u>140,974</u>	<u>1,011,916</u>	<u>2,131,618</u>
Operating Income (Loss)	<u>(516,590)</u>	<u>(5,376)</u>	<u>(521,966)</u>	<u>347,563</u>
<u>Non-Operating Revenues:</u>				
Donated Commodities	39,717	0	39,717	0
Operating Grants	365,392	0	365,392	0
Interest Revenue	68	0	68	2,121
Total Non-Operating Revenues	<u>405,177</u>	<u>0</u>	<u>405,177</u>	<u>2,121</u>
Changes in Net Position	(111,413)	(5,376)	(116,789)	349,684
Net Position (Deficit) at Beginning of Year	<u>4,043,777</u>	<u>(3,926)</u>		<u>566,312</u>
Net Position (Deficit) at End of Year	<u>\$3,932,364</u>	<u>(\$9,302)</u>		<u>\$915,996</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.

17,378
<u>(\$99,411)</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities			Governmental Activity
	Food Service	Other Enterprise	Total Enterprise	Internal Service
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$354,730	\$136,922	\$491,652	\$0
Cash Received from Transactions with Other Funds	0	0	0	2,479,181
Cash Received from Other Revenues	10	0	10	0
Cash Payments for Salaries	(238,800)	(95,224)	(334,024)	0
Cash Payments for Fringe Benefits	(147,032)	(24,011)	(171,043)	0
Cash Payments for Goods and Services	(360,353)	(17,470)	(377,823)	(544,305)
Cash Payments for Claims	0	0	0	(1,553,806)
Cash Payments for Other Expenses	(336)	0	(336)	0
Net Cash Provided by (Used for) Operating Activities	(391,781)	217	(391,564)	381,070
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants	365,392	0	365,392	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Capital Assets	(1,992)	0	(1,992)	0
<u>Cash Flows from Investing Activities:</u>				
Cash Received from Interest	68	0	68	2,121
Net Increase (Decrease) in Cash and Cash Equivalents	(28,313)	217	(28,096)	383,191
Cash and Cash Equivalents at Beginning of Year	402,973	20,412	423,385	616,441
Cash and Cash Equivalents at End of Year	\$374,660	\$20,629	\$395,289	\$999,632
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss)	(\$516,590)	(\$5,376)	(\$521,966)	\$347,563
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Depreciation	70,346	0	70,346	0
Donated Commodities Used During the Year	39,717	0	39,717	0
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(100)	3,053	2,953	0
(Increase) Decrease in Intergovernmental Receivable	488	(3,366)	(2,878)	0
Decrease in Inventory Held for Resale	2,428	0	2,428	0
Increase in Materials and Supplies Inventory	(64)	0	(64)	0
Increase in Accounts Payable	12,828	2,090	14,918	0
Increase (Decrease) in Accrued Wages and Benefits Payable	(222)	812	590	0
Increase (Decrease) in Intergovernmental Payable	(1,866)	1,367	(499)	0
Increase in Unearned Revenue	0	1,637	1,637	0
Increase in Claims Payable	0	0	0	33,507
Increase in Compensated Absences Payable	1,254	0	1,254	0
Net Cash Provided by (Used for) Operating Activities	(\$391,781)	\$217	(\$391,564)	\$381,070

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,250	\$110,605
<u>Liabilities:</u>		
Due to Students	0	\$106,770
Undistributed Assets	0	3,835
Total Liabilities	0	\$110,605
<u>Net Position:</u>		
Held in Trust for Scholarships	\$1,250	

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

<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

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 248th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by sixty-nine classified employees, one hundred eleven certified teaching personnel, and eleven administrative employees who provide services to 2,025 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 ensure 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the River Valley Local School District.

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 School Plan, the Ohio Schools Council Workers’ Compensation Group Rating Plan, and the Jefferson Health Plan. These organizations are presented in Notes 21 and 22 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities 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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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, and student fees.

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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2014, but which were levied to finance fiscal year 2015 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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 2014, 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, 2014.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$1,656, which includes \$568 assigned from other School District funds.

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

G. Inventory

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

H. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Description	Useful Lives
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 or services provided 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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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. Net Position

Net position represents the difference between all other elements on the statement of financial 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.

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.

O. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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. Fund balance policy of 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.

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.

P. 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.

Q. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

R. Estimates

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

Note 3 - Accountability and Compliance

A. Accountability

At June 30, 2014, the CTAE, Title VI-B, Limited English Proficiency, Title I, and Improving Teacher Quality special revenue funds had deficit fund balances, in the amount of \$305, \$24,477, \$649, \$46,519, and \$5,857, 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 Race to the Top special revenue fund had expenditures plus encumbrances in excess of appropriations, in the amount of \$3,150 for the fiscal year ended June 30, 2014. The Treasurer will monitor budgetary transactions to ensure that expenditures are within appropriations.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund 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).

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4 - Budgetary Basis of Accounting (continued)

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

	General Fund
GAAP Basis	\$175,596
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals:	
Accrued FY 2013, Received in Cash FY 2014	2,196,125
Accrued FY 2014, Not Yet Received in Cash	(2,408,808)
Expenditure Accruals:	
Accrued FY 2013, Paid in Cash FY 2014	(1,741,558)
Accrued FY 2014, Not Yet Paid in Cash	1,518,457
Materials and Supplies Inventory	(309)
Inventory Held for Resale	1,502
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(104,470)
Budget Basis	(\$363,465)

Note 5 - Deposits and Investments

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

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

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

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

Note 5 - Deposits and Investments (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptance if training requirements have been met.

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

Investments

As of June 30, 2014, the fair value of funds on deposit with STAR Ohio was \$2,534,818. The School District's investments in STAR Ohio had an average maturity of 51.4 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.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 6 - Receivables

Receivables at June 30, 2014, 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	
Ridgedale Local School District	\$17,500
Other Governmental Funds	
Athletic and Music	150
CTAE	5,094
Title VI-B	115,802
Limited English Proficiency	649
Title I	81,590
Improving Teacher Quality	3,370
Total Other Governmental Funds	206,655
Total Governmental Activities	\$224,155
Business-Type Activities	
Other Enterprise Fund	
School Age Child Care	\$3,586

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 - Property Taxes (continued)

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2014, 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, 2014, was \$2,254,309 in the General Fund, \$36,656 in the Classroom Facilities Maintenance special revenue fund, and \$426,763 in the Bond Retirement debt service fund. 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.

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 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$185,038,590	70.98%	\$212,125,510	74.26%
Industrial/Commercial	66,432,380	25.48	63,800,890	22.34
Public Utility	9,231,250	3.54	9,722,740	3.40
Total Assessed Value	<u>\$260,702,220</u>	<u>100.00%</u>	<u>\$285,649,140</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.89		\$38.62	

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 - Payment in Lieu of Taxes

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

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$971,089	\$0	\$0	\$971,089
Construction in Progress	15,701	8,903	(24,604)	0
Total Nondepreciable Capital Assets	986,790	8,903	(24,604)	971,089
Depreciable Capital Assets				
Land Improvements	978,961	0	0	978,961
Buildings and Building Improvements	35,981,105	0	0	35,981,105
Furniture, Fixtures, and Equipment	1,756,816	59,537	(1,145)	1,815,208
Vehicles	1,399,400	0	0	1,399,400
Total Depreciable Capital Assets	40,116,282	59,537	(1,145)	40,174,674
Less Accumulated Depreciation				
Land Improvements	(296,178)	(37,034)	0	(333,212)
Buildings and Building Improvements	(5,859,619)	(621,839)	0	(6,481,458)
Furniture, Fixtures, and Equipment	(1,113,382)	(99,996)	200	(1,213,178)
Vehicles	(993,366)	(66,072)	0	(1,059,438)
Total Accumulated Depreciation	(8,262,545)	(824,941)	200	(9,087,286)
Depreciable Capital Assets, Net	31,853,737	(765,404)	(945)	31,087,388
Governmental Activities Capital Assets, Net	\$32,840,527	(\$756,501)	(\$25,549)	\$32,058,477

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 9 - Capital Assets (continued)

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Business-Type Activities				
Depreciable Capital Assets				
Buildings and Building Improvements	\$3,838,366	\$0	\$0	\$3,838,366
Furniture, Fixtures, and Equipment	518,468	1,992	0	520,460
Vehicles	18,084	0	0	18,084
Total Depreciable Capital Assets	4,374,918	1,992	0	4,376,910
Less Accumulated Depreciation				
Buildings and Building Improvements	(510,257)	(54,350)	0	(564,607)
Furniture, Fixtures, and Equipment	(142,759)	(14,188)	0	(156,947)
Vehicles	(1,356)	(1,808)	0	(3,164)
Total Accumulated Depreciation	(654,372)	(70,346)	0	(724,718)
Depreciable Capital Assets, Net	3,720,546	(68,354)	0	3,652,192
Business-Type Activities Capital Assets, Net	\$3,720,546	(\$68,354)	0	\$3,652,192

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$391,830
Special	29,492
Vocational	15,966
Support Services:	
Pupils	739
Instructional Staff	36,874
Administration	37,618
Fiscal	1,158
Operation and Maintenance of Plant	43,084
Pupil Transportation	81,610
Central	200
Non-Instructional Services	5,679
Extracurricular Activities	180,691
Total Depreciation Expense	<u>\$824,941</u>

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 - Interfund Assets/Liabilities

At June 30, 2014, the General Fund had an interfund receivable, in the amount of \$13,795, 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 \$13,795 in the General Fund and \$25,000 in other governmental funds are expected to be repaid within one year.

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, 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 2014, 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, 2014, was estimated by the third party administrator at \$83,636.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 11 - Risk Management (continued)

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

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2014	\$50,129	\$1,587,313	\$1,553,806	\$83,636
2013	130,768	1,250,921	1,331,560	50,129

Note 12 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General Fund	\$104,470
Other Governmental Funds	123,558
Total	\$228,028

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.

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.

Note 13 - Defined Benefit Pension Plans (continued)

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

Funding Policy - 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 11 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, 2014, plan members were required to contribute 11 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 \$787,728 and \$46,157 for the fiscal year ended June 30, 2014, \$770,357 and \$47,660 for the fiscal year ended June 30, 2013, and \$795,009 and \$47,059 for the fiscal year ended June 30, 2012. For fiscal year 2014, 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 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$17,824 made by the School District and \$14,004 made by the plan members. In addition, member contributions of \$36,267 were made for fiscal year 2014 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 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, 2014, 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, 2014, 2013, and 2012 was \$267,709, \$281,379, and \$268,236, respectively. For fiscal year 2014, 62 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Note 13 - Defined Benefit Pension Plans (continued)

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, 2014, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District 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.

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 2014, 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, 2014, 2013, and 2012 was \$65,516, \$63,499, and \$65,424, respectively. For fiscal year 2014, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Fund effective July 1, 2014.

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 under employers/audit resources.

Note 14 - Postemployment Benefits (continued)

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 2014, .14 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 2014, this amount was \$20,250. For fiscal year 2014, the School District paid \$37,637 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.

The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$2,861, \$3,437, and \$11,617, respectively. For fiscal year 2014, 62 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 2014, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$15,531, \$15,895, and \$15,841, respectively. For fiscal year 2014, 62 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2008 School Improvement Refunding Bonds					
Serial Bonds - 4%	\$8,585,000	\$0	\$100,000	\$8,485,000	\$125,000
Capital Appreciation Bonds	295,000	0	0	295,000	0
Accretion on Capital Appreciation Bonds	389,592	108,025	0	497,617	0
Premium	506,810	0	5,707	501,103	0
FY2002 School Improvement Bonds 2.2-5.25%	3,175,000	0	835,000	2,340,000	885,000
Total General Obligation Bonds	12,951,402	108,025	940,707	12,118,720	1,010,000
Compensated Absences Payable	669,208	157,235	158,233	668,210	70,261
Capital Leases Payable	274,060	0	248,493	25,567	18,964
Total Governmental Activities Long -Term Obligations	<u>\$13,894,670</u>	<u>\$265,260</u>	<u>\$1,347,433</u>	<u>\$12,812,497</u>	<u>\$1,099,225</u>
Business-Type Activities					
Compensated Absences Payable	<u>\$36,518</u>	<u>\$1,254</u>	<u>\$0</u>	<u>\$37,772</u>	<u>\$1,739</u>

FY2008 School Improvement Refunding Bonds - On October 4, 2007, the School District issued bonds, in the amount of \$9,255,000, to partially refund bonds previously issued in fiscal year 2002 for 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 2014, \$108,025 was accreted on the capital appreciation bonds for a total bond value of \$792,617 at fiscal year end.

As of June 30, 2014, the refunded bonds were fully retired.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 School Age Child Care 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 \$14,868,427 with an unvoted debt margin of \$276,239 at June 30, 2014.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial	Capital Appreciation	Interest	Total
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	1,130,000	0	300,988	1,430,988
2020-2024	6,505,000	0	758,746	7,263,746
	<u>\$10,825,000</u>	<u>\$295,000</u>	<u>\$3,412,592</u>	<u>\$14,532,592</u>

Note 17 - Capital Leases - Lessee Disclosure

The School District has entered into capital leases for buses and copiers. 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 2014 were \$248,493.

	Governmental Activities
Property under Capital Lease	\$443,299
Less Accumulated Depreciation	(124,755)
Total June 30, 2014	<u>\$318,544</u>

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014.

Year	Governmental Activities	
	Principal	Interest
2015	\$18,964	\$1,118
2016	6,603	91
	\$25,567	\$1,209

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	\$253,796	\$253,796
Materials and Supplies Inventory	28,823	0	0	28,823
Total Nonspendable	28,823	0	253,796	282,619
Restricted for:				
Athletics and Music	0	0	102,598	102,598
Debt Retirement	0	1,126,959	0	1,126,959
Permanent Improvements	0	0	4,364	4,364
Regular Instruction	0	0	3,276	3,276
School Facilities Maintenance	0	0	406,750	406,750
Special Instruction	0	0	250	250
Vocational Instruction	0	0	550	550
Total Restricted	0	1,126,959	517,788	1,644,747
Assigned for:				
Educational Activities	39,578	0	0	39,578
Projected Budget Shortage	648,053	0	0	648,053
Unpaid Obligations	81,669	0	0	81,669
Total Assigned	769,300	0	0	769,300
Unassigned (Deficit)	1,994,110	0	(77,807)	1,916,303
Total Fund Balance	\$2,792,233	\$1,126,959	\$693,777	\$4,612,969

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2014.

	Capital Improvements
Balance June 30, 2013	\$0
Current Year Set Aside Requirement	344,295
Current Year Offsets	(344,295)
Balance June 30, 2014	\$0

Note 20 - Interfund Transfers

During fiscal year 2014, the General Fund made transfers to other governmental funds, in the amount of \$45,310, to subsidize operations in other funds.

Note 21 - 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 2014, the School District paid \$46,640 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.

Note 21 - 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 22 - Insurance Pools

A. 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.

B. 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.

Note 22 - Insurance Pools (continued)

C. Jefferson Health Plan

The School District participates in the Jefferson Health Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool, 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 plan's 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.

Note 23 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Grant Year(s)	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Childhood Nutrition Cluster:				
Non-Cash Assistance (Food Distribution)				
National School Lunch Program	2014	10.555	\$ 39,717	\$ 39,717
Cash Assistance:				
School Breakfast Program	2014	10.553	73,955	73,955
Nation School Lunch Program	2014	10.555	274,561	274,561
Total Child Nutrition Cluster			<u>388,233</u>	<u>388,233</u>
Total U.S. Department of Agriculture			<u>388,233</u>	<u>388,233</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education - Grants to States	2014	84.027	300,866	307,195
	2013	84.027	34,999	50,986
			<u>335,865</u>	<u>358,181</u>
Title I Grants to Local Educational Agencies	2014	84.010	318,282	325,100
	2013	84.010	12,722	32,652
			<u>331,004</u>	<u>357,752</u>
Improving Teacher Quality State Grants	2014	84.367	52,373	50,602
	2013	84.367	4,991	8,314
			<u>57,364</u>	<u>58,916</u>
ARRA - Race to the Top Incentive Grant	2014	84.395	36,871	36,691
English Language Acquisition Grants	2014	84.365	-	649
	2013	84.365	1,729	-
			<u>1,729</u>	<u>649</u>
Total U.S. Department of Education			<u>762,833</u>	<u>812,189</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,151,066</u>	<u>\$ 1,200,422</u>

The accompanying notes are an integral part of this schedule.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the River Valley Local School District (the School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School 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 remaining fund information of River Valley Local School District, Marion County, Ohio (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 13, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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 School 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 13, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the Major Federal Program

We have audited the River Valley Local School District's (the School District) 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 the River Valley Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School 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 School District's compliance for the School District's major federal program 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the River Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The School 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 School District's internal control over compliance with the applicable requirements that could directly and materially affect the major federal program, to determine our auditing procedures appropriate for opining on the 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 to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School 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 13, 2015

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)

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

Finding 2014-001

Financial Reporting - Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following adjustments were material to the overall financial statements of the School District and were posted to the June 30, 2014 financial statements and the School District's accounting records:

- An adjustment for unrecorded liabilities in the amount of \$11,273 to increase Accounts Payable and Materials/Supplies Inventory in the Food Service Fund and the Business-Type Activities opinion unit.
- An adjustment in the amount of \$20,279 to increase Intergovernmental Payable and Fringe Benefits in the General Fund and Governmental Type Activities opinion unit and decrease Intergovernmental Payable and Fringe Benefits in the Remaining Fund Information opinion unit.

Failure to properly provide complete and accurate information on the financial statements could lead to the creation of misleading and materially misstated financial statements.

We recommend the adjustments identified above be reviewed by the Treasurer and Board of Education to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the School District should develop procedures for periodic review of the financial statement information to ensure it accurately reflects the School District's activity.

Official's Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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RIVER VALLEY LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 19, 2015**