



**Auditor of State  
Betty Montgomery**



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
General Purpose External Financial Statements:	
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities.....	15
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to Statement of Activities.....	17
Statement of Revenues, Expenditures, and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual - General Fund.....	18
Statement of Fund Net Assets – Proprietary Fund.....	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund.....	20
Statement of Cash Flows – Proprietary Fund.....	21
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	22
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund.....	23
Notes to the Basic Financial Statements.....	25
Schedule of Federal Awards Receipts and Expenditures.....	57
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	58
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	59
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	61
Schedule of Findings.....	63

**THIS PAGE INTENTIONALLY LEFT BLANK**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the River Valley Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the River Valley Local School District, Marion County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is presented for additional analysis and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

May 4, 2004

River Valley Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
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, 2003. 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**

Key highlights for fiscal year 2003 are as follows:

In total, net assets increased \$2,494,335, or 9 percent, a generally insignificant change from the prior fiscal year. The greatest change being reported on the School District's statement of net assets is regarding nondepreciable capital assets. Over \$30 million in additional construction was added to capital assets in fiscal year 2003 as a result of the district-wide building project.

General revenues were \$14,530,475, or 90 percent of total revenues, and reflect the School District's significant dependence on property taxes and unrestricted state entitlements.

The School District is self insured for employee medical insurance; OME-RESA Health Benefits serves as the administrator of the insurance plan. The School District's medical insurance rates increased 27.5 percent in July 2003. This increase had a significant impact on the School District's budget and continues to be a major factor in fiscal decisions. The River Valley Employee Benefits Committee is continually reviewing the plan in order to contain costs.

In November 2003, voters chose not to renew the School District's 1.0 mill permanent improvement levy. This levy generated approximately \$160,000 annually and was used for maintaining and improving buildings and equipment (including technology) that had a useful life of at least five years.

Although the School District ended the fiscal year in the black by using the carryover balance, the Board of Education has implemented a strategy to avoid future deficits. This is being done through a combination of budget reductions and seeking additional revenues through tax levies. In March 2004, the Board placed a \$1.2 million five-year emergency levy on the ballot; however, this levy was turned down by the voters. The Board has discussed, but has not yet approved placing this issue on the August 2004 ballot. If the levy is not placed on the ballot, or if placed on the ballot and rejected by the voters, additional budget reductions will have to take place as well as the implementation of participation fees for extracurricular activities.

### **Using the Basic Financial Statements**

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund

River Valley Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

---

financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For River Valley Local School District, the General Fund, Bond Retirement debt service fund, and Ohio School Facilities Commission capital projects fund are the most significant funds.

### **Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the School District discloses a single type of activity, governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

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

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

**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, 2003  
Unaudited

---

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2003 compared to fiscal year 2002:

Table 1  
Net Assets

	Governmental Activities	
	2003	2002
<u>Assets:</u>		
Current and Other Assets	\$20,248,660	\$47,198,391
Capital Assets, Net	41,250,264	11,168,655
Total Assets	61,498,924	58,367,046
<u>Liabilities:</u>		
Current and Other Liabilities	9,674,043	8,771,511
Long-Term Liabilities	20,027,051	20,292,040
Total Liabilities	29,701,094	29,063,551
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	22,000,117	2,264,832
Restricted	8,054,812	24,758,251
Unrestricted	1,742,901	2,280,412
Total Net Assets	\$31,797,830	\$29,303,495

Total assets increased \$3,131,878, or about 5 percent. For fiscal year 2003, there was a decrease in cash of approximately \$27 million and an increase in nondepreciable capital assets of approximately \$30 million. Both were the result of construction activities for the district-wide building project. The difference between the cash spent and construction added approximates the overall increase in total assets.

Total liabilities increased \$637,543, only about 2 percent. The increase is reflected in the liabilities for contracts and retainage payable, again related to the building project.

The changes in invested in capital assets and restricted net assets are the result of the movement between asset categories as cash restricted for construction in fiscal year 2002 was used for construction activities in fiscal year 2003, thus increasing construction in progress.

River Valley Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

Table 2 reflects the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior fiscal year information is available, a comparative analysis of government-wide data will be presented.

Table 2  
Change in Net Assets

	Governmental Activities <u>2003</u>
<u>Revenues</u>	
Program Revenues:	
Charges for Services	\$559,238
Operating Grants, Contributions, and Interest	948,747
Capital Grants and Contributions	125,812
Total Program Revenues	<u>1,633,797</u>
General Revenues:	
Property Taxes Levied for General Purposes	6,025,033
Property Taxes Levied for Classroom Facilities Maintenance	101,823
Property Taxes Levied for Debt Service	1,324,236
Property Taxes Levied for Permanent Improvements	147,882
Grants and Entitlements	5,984,261
Interest	809,999
Gifts and Donations	3,024
Miscellaneous	134,217
Total General Revenues	<u>14,530,475</u>
Total Revenues	<u>16,164,272</u>
<u>Expenses</u>	
Instruction:	
Regular	6,213,095
Special	741,824
Vocational	194,416
Support Services:	
Pupils	572,528
Instructional Staff	559,165
Board of Education	7,965
Administration	1,177,075
Fiscal	450,077
Operation and Maintenance of Plant	960,711
Pupil Transportation	879,447
Central	39,781
Non-Instructional Services	555,942
Extracurricular Activities	427,970
Interest and Fiscal Charges	889,941
Total Expenses	<u>13,669,937</u>
Increase in Net Assets	<u>\$2,494,335</u>

River Valley Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

---

Program revenues only represent 10 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales.

As stated previously, general revenues represent 90 percent of the School District's total revenues, and of this amount, over half is the result of property taxes. Grants and entitlements, primarily State foundation resources make up the balance of the School District's general revenues. Other revenue sources, such as interest and donations, are completely insignificant and somewhat unpredictable revenue sources.

The major program expenses for governmental activities are for instruction, which accounts for over 52 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 15 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, 7 percent. Therefore, over 74 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and unrestricted grants and entitlements. With administration costs of \$1,177,075, or almost 9 percent of overall expenses for the fiscal year, it would appear that this is a rather significant cost to the School District; however, this is very comparable to other school districts of River Valley Local School District's size and student population.

Governmental Activities

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 2003	Net Cost of Services 2003
Instruction:		
Regular	\$6,213,095	\$6,003,468
Special	741,824	164,857
Vocational	194,416	144,951
Support Services:		
Pupils	572,528	556,789
Instructional Staff	559,165	559,165
Board of Education	7,965	7,965
Administration	1,177,075	1,177,075
Fiscal	450,077	450,077
Operation and Maintenance of Plant	960,711	960,711
Pupil Transportation	879,447	790,723
Central	39,781	32,781
Non-Instructional Services	555,942	89,394
Extracurricular Activities	427,970	208,243
Interest and Fiscal Charges	889,941	889,941
Total Expenses	<u>\$13,669,937</u>	<u>\$12,036,140</u>

River Valley Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

---

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent as over 88 percent of instruction activities are supported through taxes and other general revenues. However, it should be noted that special instruction activities are largely provided for through program revenues, by 78 percent. This is the result of operating grants and contributions restricted for special instruction purposes.

Over 84 percent of non-instructional services were covered by program revenues for fiscal year 2003. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Over 51 percent of extracurricular activities expenses are covered by program revenues. This is the result of music and athletic fees, ticket sales, and gate receipts. For all governmental activities, support from general revenues is over 88 percent demonstrating that the community is the primary support for River Valley Local School District students.

### **The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$16,110,100 and expenditures \$44,085,730. The greatest change within governmental funds occurred within the Ohio School Facilities Commission capital projects fund where expenditures exceeded revenues by over \$24 million. This 83 percent reduction in fund balance is due to construction activities.

### **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 2003, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$11,168,835, were only slightly above original budgeted revenues, in the amount of \$11,157,835, a change of less than 1 percent. The change from final budgeted revenues to actual revenues received was also only 1 percent.

Final expenditures were budgeted at \$12,084,439 while actual expenditures were \$11,837,103. The School District was able to keep spending very close to budgeted amounts as reflected in the insignificant change of 2 percent.

Actual General Fund revenues were less than expenditures by \$685,508. While a portion of this difference can be attributed to recording encumbrances as expenditures, this also indicates that the School District is in a deficit spending situation and will be required to go to the voters for additional revenue and/or will need to implement cost savings reductions.

River Valley Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

---

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2003, the School District had \$41,250,264 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$30,081,609, or over 269 percent.

The increase in capital assets for governmental activities is due to the increase in construction in progress for the new high school, middle school, and two new elementary schools. Additions also included some small routine computer, music, and athletic equipment purchases, a new school bus, and land. Disposals included computer equipment, musical instruments, bleachers, and a bus. For further information regarding the School District's capital assets, see Note 9 to the basic financial statements.

**Debt**

During fiscal year 2003, the School District retired bond anticipation notes issued for the purchase of school buses. Debt which remained outstanding at June 30, 2003, included \$19,065,000 in general obligation bonds issued for construction, \$175,000 in general obligation bonds issued to purchase school buses, and \$10,147 for capital leases. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, see Note 17 to the basic financial statements.

**Current Issues**

In fiscal year 2003, the School District implemented \$195,000 in budget reductions in order to address the deficit spending situation. Also, in November 2003, the voters of the School District chose not to renew a 1.0 mill permanent improvement levy. In order to address future deficits as reported on the School District's five-year forecast, the Board of Education placed a \$1.2 million emergency levy on the March 2004 ballot. It did not pass. As a result of that failure, an additional \$330,000 in budget reductions will be implemented in fiscal year 2005. The Board of Education is considering, but has yet to approve, another emergency levy attempt on the August 2004 ballot to hopefully avoid these budget reductions.

During fiscal year 2004, the School District completed an approximately \$45 million district-wide building project. This transition involved closing three elementary schools, a middle school, and a high school and opening two new elementary schools, a middle school, and a high school. Considering this involved the relocation of every building and every student in the School District, the transition went rather smoothly.

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

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

River Valley Local School District  
Statement of Net Assets  
June 30, 2003

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$11,971,991
Cash and Cash Equivalents with Fiscal Agent	118
Cash and Cash Equivalents with Escrow Agent	255,887
Accounts Receivable	6,833
Intergovernmental Receivable	241,838
Prepaid Items	30,140
Inventory Held for Resale	7,886
Materials and Supplies Inventory	20,968
Property Taxes Receivable	7,712,999
Nondepreciable Capital Assets	39,639,943
Depreciable Capital Assets, Net	1,610,321
Total Assets	61,498,924
 <u>Liabilities:</u>	
Accounts Payable	175,147
Contracts Payable	1,938,041
Retainage Payable	736,134
Accrued Wages and Benefits Payable	1,046,431
Intergovernmental Payable	318,392
Deferred Revenue	5,196,522
Accrued Interest Payable	149,312
Claims Payable	114,064
Long-Term Liabilities:	
Due Within One Year	663,518
Due in More Than One Year	19,363,533
Total Liabilities	29,701,094
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	22,000,117
Restricted For:	
Debt Service	949,525
Capital Projects	6,386,093
Other Purposes	719,194
Unrestricted	1,742,901
Total Net Assets	\$31,797,830

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2003

	Program Revenues			
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
Expenses				
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$6,213,095	\$118,715	\$65,249	\$25,663
Special	741,824	19,696	557,271	0
Vocational	194,416	0	38,465	11,000
Support Services:				
Pupils	572,528	0	15,739	0
Instructional Staff	559,165	0	0	0
Board of Education	7,965	0	0	0
Administration	1,177,075	0	0	0
Fiscal	450,077	0	0	0
Operation and Maintenance of Plant	960,711	0	0	0
Pupil Transportation	879,447	0	0	88,724
Central	39,781	0	7,000	0
Non-Instructional Services	555,942	338,830	127,718	0
Extracurricular Activities	427,970	81,997	137,305	425
Interest and Fiscal Charges	889,941	0	0	0
Total Governmental Activities	<u>\$13,669,937</u>	<u>\$559,238</u>	<u>\$948,747</u>	<u>\$125,812</u>

General Revenues:

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

Change in Net Assets

Net Assets Beginning of Year - Note 3

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements



Net (Expense) Revenue  
and Change in Net Assets

Governmental  
Activities

(\$6,003,468)  
(164,857)  
(144,951)

(556,789)  
(559,165)  
(7,965)  
(1,177,075)  
(450,077)  
(960,711)  
(790,723)  
(32,781)  
(89,394)  
(208,243)  
(889,941)

(12,036,140)

6,025,033  
101,823  
1,324,236  
147,882  
5,984,261  
809,999  
3,024  
134,217

14,530,475

2,494,335

29,303,495

\$31,797,830

River Valley Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2003

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,030,326	\$618,410	\$6,984,866	\$2,338,389	\$11,971,991
Cash and Cash Equivalents					
with Fiscal Agent	0	0	0	118	118
Accounts Receivable	3,909	0	0	2,924	6,833
Intergovernmental Receivable	66,672	404	0	174,762	241,838
Interfund Receivable	143,905	1,924	0	0	145,829
Prepaid Items	26,404	0	2,426	1,310	30,140
Inventory Held for Resale	0	0	0	7,886	7,886
Materials and Supplies Inventory	19,912	0	0	1,056	20,968
<u>Restricted Assets:</u>					
Cash and Cash Equivalents with Escrow Agent	0	0	255,887	0	255,887
Property Taxes Receivable	6,120,998	1,371,506	0	220,495	7,712,999
<b>Total Assets</b>	<b>\$8,412,126</b>	<b>\$1,992,244</b>	<b>\$7,243,179</b>	<b>\$2,746,940</b>	<b>\$20,394,489</b>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$72,734	\$0	\$70,032	\$32,381	\$175,147
Contracts Payable	0	0	1,588,031	350,010	1,938,041
Retainage Payable	0	0	321,288	158,959	480,247
Accrued Wages and Benefits Payable	1,000,039	0	0	46,392	1,046,431
Intergovernmental Payable	205,681	0	100	5,816	211,597
Interfund Payable	0	14,525	0	67,377	81,902
<u>Payable from Restricted Assets:</u>					
Retainage Payable	0	0	255,887	0	255,887
Deferred Revenue	4,479,727	940,667	0	226,025	5,646,419
<b>Total Liabilities</b>	<b>5,758,181</b>	<b>955,192</b>	<b>2,235,338</b>	<b>886,960</b>	<b>9,835,671</b>
<u>Fund Balances:</u>					
Reserved for Property Taxes	1,708,551	431,243	0	73,945	2,213,739
Reserved for Encumbrances	257,460	0	2,880,511	1,018,743	4,156,714
Unreserved, Designated for Budget Stabilization	85,690	0	0	0	85,690
<u>Unreserved, Undesignated Reported in:</u>					
General Fund	602,244	0	0	0	602,244
Special Revenue Funds	0	0	0	351,772	351,772
Debt Service Fund	0	605,809	0	0	605,809
Capital Projects Funds	0	0	2,127,330	415,520	2,542,850
<b>Total Fund Balances</b>	<b>2,653,945</b>	<b>1,037,052</b>	<b>5,007,841</b>	<b>1,859,980</b>	<b>10,558,818</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$8,412,126</b>	<b>\$1,992,244</b>	<b>\$7,243,179</b>	<b>\$2,746,940</b>	<b>\$20,394,489</b>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Assets of Governmental Activities  
 June 30, 2003

Total Governmental Fund Balances \$10,558,818

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 41,250,264

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

Accounts Receivable	48,654	
Intergovernmental Receivable	98,505	
Property Taxes Receivable	302,738	
		449,897

Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds. (106,795)

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

Accrued Interest Payable	(149,312)	
School Improvement Bonds Payable	(19,065,000)	
School Bus Bonds Payable	(175,000)	
Compensated Absences Payable	(776,904)	
Capital Leases Payable	(10,147)	
		(20,176,363)

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. (177,991)

Net Assets of Governmental Activities \$31,797,830

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, 2003

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$6,003,503	\$1,318,891	\$0	\$248,809	\$7,571,203
Intergovernmental	4,868,915	145,373	267,776	1,686,633	6,968,697
Interest	45,180	0	658,206	106,223	809,609
Tuition and Fees	37,967	0	0	24,351	62,318
Extracurricular Activities	0	0	0	212,392	212,392
Charges for Services	0	0	0	338,717	338,717
Gifts and Donations	3,024	0	0	14,425	17,449
Miscellaneous	37,959	0	0	91,756	129,715
Total Revenues	<u>10,996,548</u>	<u>1,464,264</u>	<u>925,982</u>	<u>2,723,306</u>	<u>16,110,100</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	6,063,984	0	0	177,275	6,241,259
Special	549,389	0	0	191,866	741,255
Vocational	185,977	0	0	5,386	191,363
Support Services:					
Pupils	354,382	0	0	230,542	584,924
Instructional Staff	516,671	0	0	33,279	549,950
Board of Education	7,965	0	0	0	7,965
Administration	1,123,872	0	0	14,827	1,138,699
Fiscal	399,256	30,849	0	13,080	443,185
Operation and Maintenance of Plant	983,806	0	0	18,219	1,002,025
Pupil Transportation	824,086	0	0	1,085	825,171
Central	35,224	0	0	3,000	38,224
Non-Instructional Services	229	0	0	484,205	484,434
Extracurricular Activities	221,390	0	0	199,908	421,298
Capital Outlay	62,238	0	25,632,333	4,277,926	29,972,497
Debt Service:					
Principal Retirement	15,706	535,000	0	0	550,706
Interest and Fiscal Charges	5,386	887,389	0	0	892,775
Total Expenditures	<u>11,349,561</u>	<u>1,453,238</u>	<u>25,632,333</u>	<u>5,650,598</u>	<u>44,085,730</u>
Excess of Revenues Over (Under) Expenditures	<u>(353,013)</u>	<u>11,026</u>	<u>(24,706,351)</u>	<u>(2,927,292)</u>	<u>(27,975,630)</u>
<u>Other Financing Sources:</u>					
Sale of Capital Assets	0	0	0	48,900	48,900
Bonds Issued	175,000	0	0	0	175,000
Total Other Financing Sources	<u>175,000</u>	<u>0</u>	<u>0</u>	<u>48,900</u>	<u>223,900</u>
Net Change in Fund Balances	(178,013)	11,026	(24,706,351)	(2,878,392)	(27,751,730)
Fund Balances at Beginning of Year - Restated (Note 3)	2,831,958	1,026,026	29,714,192	4,738,372	38,310,548
Fund Balances at End of Year	<u>\$2,653,945</u>	<u>\$1,037,052</u>	<u>\$5,007,841</u>	<u>\$1,859,980</u>	<u>\$10,558,818</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, 2003

Net Change in Fund Balances - Total Governmental Funds (\$27,751,730)

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 capital outlays exceeded depreciation in the current fiscal year:

Capital Outlay - Construction in Progress	30,172,951	
Capital Outlay - Depreciable Capital Assets	181,508	
Depreciation	<u>(272,850)</u>	30,081,609

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

Proceeds from Sale of Capital Assets	(48,900)	
Gain on Disposal of Capital Assets	<u>48,900</u>	0

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

Property Taxes	27,771	
Intergovernmental	(91,100)	
Tuition and Fees	47,254	
Charges for Services	113	
Miscellaneous	<u>20,639</u>	4,677

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

550,706

Bond proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.

(175,000)

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

2,834

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(21,091)	
Compensated Absences Payable	<u>(110,717)</u>	(131,808)

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	595	
Allocated to Activities	<u>(87,548)</u>	

Change in Net Assets of Governmental Activities \$2,494,335

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Over (Under)
<u>Revenues:</u>				
Property Taxes	\$6,122,369	\$6,122,369	\$6,147,677	\$25,308
Intergovernmental	4,789,994	4,800,994	4,868,915	67,921
Interest	163,372	163,372	45,289	(118,083)
Tuition and Fees	64,000	64,000	52,443	(11,557)
Gifts and Donations	100	100	3,024	2,924
Miscellaneous	18,000	18,000	34,247	16,247
Total Revenues	<u>11,157,835</u>	<u>11,168,835</u>	<u>11,151,595</u>	<u>(17,240)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,194,142	6,250,908	6,138,463	112,445
Special	560,231	560,328	538,736	21,592
Vocational	174,491	193,191	190,424	2,767
Support Services:				
Pupils	403,058	377,150	360,596	16,554
Instructional Staff	565,541	524,020	522,453	1,567
Board of Education	12,170	12,170	7,965	4,205
Administration	1,209,740	1,196,340	1,156,150	40,190
Fiscal	507,922	421,843	411,774	10,069
Operation and Maintenance of Plant	1,109,369	1,116,431	1,103,578	12,853
Pupil Transportation	788,847	851,388	851,068	320
Central	26,000	57,613	37,689	19,924
Non-Instructional Services	1,000	1,000	229	771
Extracurricular Activities	222,978	223,108	220,066	3,042
Capital Outlay	37,324	27,324	26,305	1,019
Debt Service:				
Principal Retirement	90,000	265,000	265,000	0
Interest and Fiscal Charges	6,625	6,625	6,607	18
Total Expenditures	<u>11,909,438</u>	<u>12,084,439</u>	<u>11,837,103</u>	<u>247,336</u>
Excess of Revenues				
Under Expenditures	<u>(751,603)</u>	<u>(915,604)</u>	<u>(685,508)</u>	<u>230,096</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	5,000	5,000	0	(5,000)
Proceeds of Bonds	175,000	175,000	175,000	0
Refund of Prior Year Expenditures	0	0	712	712
Advances In	550,000	550,000	560,000	10,000
Advances Out	(25,000)	(25,000)	(26,000)	(1,000)
Total Other Financing Sources (Uses)	<u>705,000</u>	<u>705,000</u>	<u>709,712</u>	<u>4,712</u>
Net Change in Fund Balance	(46,603)	(210,604)	24,204	234,808
Fund Balance at Beginning of Year	1,674,346	1,674,346	1,674,346	0
Prior Year Encumbrances Appropriated	137,998	137,998	137,998	0
Fund Balance at End of Year	<u>\$1,765,741</u>	<u>\$1,601,740</u>	<u>\$1,836,548</u>	<u>\$234,808</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District  
Statement of Fund Net Assets  
Proprietary Fund  
June 30, 2003

	Governmental Activity
	Internal Service
<u>Current Assets:</u>	\$0
<u>Current Liabilities:</u>	
Interfund Payable	63,927
Claims Payable	114,064
Total Current Liabilities	177,991
<u>Net Assets:</u>	
Unrestricted (Deficit)	(\$177,991)

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2003

	Governmental Activity
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$1,199,551
<u>Operating Expenses:</u>	
Purchased Services	263,445
Claims	1,023,654
Total Operating Expenses	1,287,099
Operating Loss	(87,548)
<u>Non-Operating Revenue:</u>	
Interest	595
Net Loss	(86,953)
Net Assets (Deficit) at Beginning of Year	(91,038)
Net Assets (Deficit) at End of Year	(\$177,991)

See Accompanying Notes to the Basic Financial Statements



River Valley Local School District  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2003

	Governmental Activity
	Internal Service
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Transactions with Other Funds	\$1,199,551
Cash Payments for Goods and Services	(263,445)
Cash Payments for Claims	(1,150,721)
Net Cash Used for Operating Activities	(214,615)
 <u>Cash Flows from Non-Capital Financing Activities:</u>	
Cash Received from Other Funds	63,927
 <u>Cash Flows from Investing Activities:</u>	
Interest	595
Net Decrease in Cash and Cash Equivalents	(150,093)
Cash and Cash Equivalents at Beginning of Year	150,093
Cash and Cash Equivalents at End of Year	\$0
 Reconciliation of Operating Loss	
<u>to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$87,548)
 Adjustments to Reconcile Operating Loss	
<u>to Net Cash Used for Operating Activities:</u>	
Decrease in Claims Payable	(127,067)
Net Cash Used for Operating Activities	(\$214,615)

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2003

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$81,468</u></u>
--	------------------------

Liabilities:

Due to Students	\$79,539
Undistributed Assets	<u>1,929</u>
	<u><u>\$81,468</u></u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District  
Statement of Changes in Fiduciary Net Assets  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2003

Additions:

Miscellaneous	\$1,000
---------------	---------

Deductions:

Non-Instructional Services	1,000
----------------------------	-------

Change in Net Assets	0
----------------------	---

Net Assets at Beginning of Year	0
---------------------------------	---

Net Assets at End of Year	<u><u>\$0</u></u>
---------------------------	-------------------

See Accompanying Notes to the Basic Financial Statements

**THIS PAGE INTENTIONALLY LEFT BLANK**

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

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

The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred thirty-one square miles. It is located in Marion and Morrow Counties, and includes all of the Village of Caledonia, Claridon, Martel, and Waldo. The School District is the 331st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by eighty-two classified employees, one hundred thirteen certified teaching personnel, and seven administrative employees who provide services to 1,720 students and other community members. The School District currently operates five instructional buildings, an administration building, and a bus garage.

**Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the River Valley Local School District.

The School District is associated with six jointly governed organizations and an insurance pool. These organizations are the Tri-Rivers Educational Computer Association (TRECA); the Tri-Rivers Joint Vocational School; the North Central Regional Professional Development Center; the North Central Ohio Special Education Regional Resource Center; the Northwestern Ohio Educational Research Council, Inc.; the Metropolitan Educational Council; and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the basic financial statements.

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

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

**B. Fund Accounting**

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

Governmental Funds

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

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

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

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

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

Proprietary Fund

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

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

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

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

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

**D. Basis of Accounting**

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



**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, student fees, and charges for services.

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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.

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

**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 object level for the General Fund and the fund level for all other 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, other than the General Fund, are made by the School District Treasurer.

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

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

**F. Cash and Investments**

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

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

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

During fiscal year 2003, investments included federal agency securities, mutual funds, and STAR Ohio. Federal agency securities are reported at fair value, which is based on quoted market price. Mutual funds are reported at current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

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

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2003 was \$45,180, which includes \$28,455 assigned from other School District funds.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. Restricted Assets**

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

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

**J. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical 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:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 15 years
Buildings and Building Improvements	30 - 98 years
Furniture, Fixtures, and Equipment	3 - 40 years
Vehicles	10 years

**K. Interfund Assets/Liabilities**

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

**L. Compensated Absences**

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and 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 year.

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

**N. Net Assets**

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

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

**O. Fund Balance Reserves and Designations**

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

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

**P. Operating Revenues and Expenses**

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

**Q. Interfund Transactions**

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

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

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

**R. Extraordinary and Special Items**

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

**S. Estimates**

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

**Note 3 - Change in Accounting Principles, Correction of an Error, and Restatement of Fund Balance**

**A. Change in Accounting Principles**

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the School District uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the General Fund and each major special revenue fund. The implementation of this statement did not have any effect on the School District's financial statements for fiscal year 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**Note 3 - Change in Accounting Principles, Correction of an Error, and Restatement of Fund Balance** (continued)

In fiscal year 2003, the School District began recording inventory according to the consumption method. In prior years, it was recorded using the purchase method.

**B. Correction of an Error**

In the prior fiscal year, the School District incorrectly recorded taxes receivable.

**C. Restatement of Fund Balance**

The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented:

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Activities
Fund Balance June 30, 2002	\$2,784,533	\$1,026,026	\$29,714,192	\$4,782,006	\$38,306,757
Correction of an Error	(18,056)	0	0	467	(17,589)
GASB Statement No. 34 Adjustment:					
Change in Fund Structure	26,732	0	0	(29,519)	(2,787)
GASB Interpretation No. 6 Adjustment:					
Compensated Absences Payable	38,749	0	0	(14,582)	24,167
Adjusted Fund Balance	<u>\$2,831,958</u>	<u>\$1,026,026</u>	<u>\$29,714,192</u>	<u>\$4,738,372</u>	<u>38,310,548</u>
GASB Statement No. 34 Adjustments:					
Intergovernmental Receivable					170,253
Property Taxes Receivable					274,967
Capital Assets					11,168,655
Intergovernmental Payable					(85,704)
Accrued Interest Payable					(152,146)
General Obligation Bonds Payable					(19,600,000)
Compensated Absences Payable					(666,187)
Capital Leases Payable					(25,853)
Internal Service Fund					(91,038)
Governmental Activities Net Assets at June 30, 2002					<u><u>\$29,303,495</u></u>

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2003, the Food Service and Miscellaneous Federal State Grants special revenue funds had deficit fund balances, in the amount of \$60,879 and \$1,683, 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**

For the fiscal year ended June 30, 2003, the Public School Support special revenue fund had appropriations in excess of estimated resources plus available balances, in the amount of \$5,314.

At June 30, 2003, the Food Service special revenue fund and Self Insurance internal service fund had deficit cash, in the amount of \$203 and \$63,927, respectively.

The following accounts had expenditures in excess of appropriations for the fiscal year ended June 30, 2003.

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General			
Administration/Fringe Benefits	\$241,841	\$243,186	\$1,345
Administration/Purchased Services	119,990	120,702	712
Fiscal/Fringe Benefits	31,310	31,511	201
Fiscal/Purchased Services	64,526	70,210	5,684
Pupil Transportation/Fringe Benefits	186,535	197,119	10,584
Pupil Transportation/Purchased Services	57,024	57,211	187
Special Revenue Funds			
Food Service	425,263	462,134	36,871
EMIS	5,000	12,556	7,556
Summer Intervention	0	2,032	2,032
Drug Free	7,741	9,438	1,697
Internal Service Fund			
Self Insurance	1,043,000	1,342,663	299,663
Private Purpose Trust Fund			
Ryan Matthew Gist Scholarship	0	1,000	1,000

The Board of Education is reviewing budgetary activity to avoid future violations of budgetary compliance.



River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**Note 5 - Budgetary Basis of Accounting**

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

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

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

Net Change in Fund Balance	
GAAP Basis	(\$178,013)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2002, Received in Cash FY 2003	1,882,584
Accrued FY 2003, Not Yet Received in Cash	(1,726,377)
Expenditure Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(1,221,885)
Accrued FY 2003, Not Yet Paid in Cash	1,278,454
Cash Adjustments:	
Unrecorded Activity FY 2003	(448)
Prepaid Items	(26,404)
Materials and Supplies Inventory	4,753
Notes Payable - Principal	(265,000)
Advances In	560,000
Advances Out	(26,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(257,460)
Budget Basis	\$24,204

**Note 6 - Deposits and Investments**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$118 in cash and cash equivalents held by the North Central Ohio Educational Service Center, which is presented as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$32,937 and the bank balance was \$393,211. Of the bank balance, \$101,650 was covered by federal depository insurance and \$291,561 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio and mutual funds are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Fair Value
Federal National Mortgage Association Notes	\$1,750,000	\$1,750,000
Federal Home Loan Bank Bonds	2,531,027	2,531,027
Federal Home Loan Bank Notes	2,749,450	2,749,450
Federal Home Loan Mortgage Corporation Notes	149,370	149,370
	<u>\$7,179,847</u>	7,179,847
STAR Ohio		4,814,002
Mutual Funds		<u>282,560</u>
Total		<u>\$12,276,409</u>

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$12,309,464	\$0
Cash and Cash Equivalents with Educational Service Center	(118)	0
Investments:		
Federal National Mortgage Association Notes	(1,750,000)	1,750,000
Federal Home Loan Bank Bonds	(2,531,027)	2,531,027
Federal Home Loan Bank Notes	(2,749,450)	2,749,450
Federal Home Loan Mortgage Corporation Notes	(149,370)	149,370
STAR Ohio	(4,814,002)	4,814,002
Mutual Funds	(282,560)	282,560
GASB Statement No. 3	\$32,937	\$12,276,409

**Note 7 - Receivables**

Receivables at June 30, 2003, consisted of accounts (student fees and billings for user charged services), intergovernmental, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Homestead and Rollback	\$1,611
Elgin Local School District	14,397
Marion City School District	6,957
North Central Ohio Educational Service Center	3,000
Pleasant Local School District	4,538
Ridgedale Local School District	16,817
Tri-Rivers Educational Computer Association	19,352
Total General Fund	66,672

(continued)

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**Note 7 - Receivables** (continued)

	Amount
Governmental Activities (continued)	
Bond Retirement Fund	
Homestead and Rollback	\$404
Other Governmental Funds	
Food Service	23,732
Classroom Facilities Maintenance	31
Title VI-B	18,239
Title I	60,393
Title VI	7,302
Drug Free	5,595
Title II-A	59,193
Miscellaneous Federal Grants	238
Permanent Improvement	39
Total Other Governmental Funds	174,762
Total Intergovernmental Receivables	\$241,838

**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, 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.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$1,708,551 in the General Fund, \$33,072 in the Classroom Facilities special revenue fund, \$431,243 Bond Retirement debt service fund, and \$40,873 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$1,867,250 in the General Fund, \$34,941 in the Classroom Facilities special revenue fund, \$454,028 in the Bond Retirement debt service fund, and \$44,974 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$143,812,480	57.85%	\$145,234,090	57.97%
Industrial/Commercial	49,222,330	19.80	49,526,800	19.77
Public Utility	13,174,500	5.30	13,356,200	5.33
Tangible Personal	<u>42,370,420</u>	<u>17.05</u>	<u>42,423,950</u>	<u>16.93</u>
Total Assessed Value	<u>\$248,579,730</u>	<u>100.00%</u>	<u>\$250,541,040</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.88		\$45.88	

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$854,022	\$108,281	\$0	\$962,303
Construction in Progress	8,612,970	30,064,670	0	38,677,640
Total Nondepreciable Capital Assets	<u>9,466,992</u>	<u>30,172,951</u>	<u>0</u>	<u>39,639,943</u>
Depreciable Capital Assets				
Land Improvements	153,241	0	0	153,241
Buildings and Building Improvements	1,068,780	0	(42,902)	1,025,878
Furniture, Fixtures, and Equipment	2,062,195	126,183	(104,493)	2,083,885
Vehicles	1,264,442	55,325	(17,418)	1,302,349
Total Depreciable Capital Assets	<u>4,548,658</u>	<u>181,508</u>	<u>(164,813)</u>	<u>4,565,353</u>
Less Accumulated Depreciation				
Land Improvements	(151,657)	(200)	0	(151,857)
Buildings and Building Improvements	(592,124)	(19,564)	42,902	(568,786)
Furniture, Fixtures, and Equipment	(1,424,064)	(155,832)	104,493	(1,475,403)
Vehicles	(679,150)	(97,254)	17,418	(758,986)
Total Accumulated Depreciation	<u>(2,846,995)</u>	<u>(272,850)</u>	<u>164,813</u>	<u>(2,955,032)</u>
Depreciable Capital Assets, Net	<u>1,701,663</u>	<u>(91,342)</u>	<u>0</u>	<u>1,610,321</u>
Governmental Activities Capital Assets, Net	<u>\$11,168,655</u>	<u>\$30,081,609</u>	<u>\$0</u>	<u>\$41,250,264</u>

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$118,180
Special	1,942
Vocational	2,537
Support Services:	
Pupils	2,439
Instructional Staff	2,501
Administration	27,298
Fiscal	3,512
Operation and Maintenance of Plant	5,310
Pupil Transportation	98,087
Non-Instructional Services	3,613
Extracurricular Activities	7,431
Total Depreciation Expense	<u>\$272,850</u>

**Note 10 - Interfund Assets/Liabilities**

At June 30, 2003, the General Fund and Bond Retirement debt service fund had interfund receivables, in the amount of \$143,905 and \$1,924, respectively. The Bond Retirement debt service fund had an interfund payable, in the amount of \$14,525 for taxes received by the fund incorrectly. Other governmental funds and the Self Insurance internal service fund had interfund payables, in the amount of \$67,377 and \$63,927, respectively, for short-term loans provided to the funds.

**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 2003, the School District contracted for the following insurance coverage.

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

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



River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

Coverage provided by Indiana Insurance is as follows:

Building and Contents	\$26,268,351
-----------------------	--------------

Coverage provided by Netherlands Insurance Company is as follows:

Vehicle Liability	1,000,000
-------------------	-----------

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 fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP 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 GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The School District offers medical insurance to all employees through a self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The School District purchased stop loss insurance for claims in excess of \$50,000 per individual and \$1,000,000 total aggregate annually. Settled claims have not exceeded this coverage for the past two years. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2003, was estimated at \$114,064.

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

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2003	\$241,131	\$1,023,654	\$1,150,721	\$114,064
2002	0	461,027	219,896	241,131

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**Note 12 - Contractual Commitments**

The School District has outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2003:

Vendor	Contract Amount	Amount Paid as of 6/30/03	Outstanding Balance
ACI Acquisition Co. LLC	\$266,800	\$159,060	\$107,740
ADC Information Technology	209,914	153,301	56,613
All Star Bleachers	431,200	423,889	7,311
Alvada Construction	1,484,795	1,413,846	70,949
AMPAM Commercial Midwest	241,324	185,685	55,639
C&T Design & Equipment	543,600	405,890	137,710
Cinfab	440,751	431,272	9,479
Clinger Mechanical, Inc.	638,331	559,437	78,894
CTL Engineering, Inc.	197,514	154,094	43,420
Custom Fabricators, Inc.	628,879	498,931	129,948
EE Johnson Property Service	71,576	0	71,576
H&R Excavating, Inc.	2,043,586	2,025,117	18,469
Key Blueprints	145,652	139,596	6,056
Knight Electric, Inc.	435,962	182,243	253,719
Kone, Inc.	67,962	36,226	31,736
M&F Athletic	10,400	0	10,400
Microman, Inc.	395,052	210,906	184,146
Mosser Construction	5,716,498	5,333,157	383,341
Navagating Business Spaces	1,356,716	0	1,356,716
Ohio American Water	225,000	180,000	45,000
Ohio Edison	127,909	123,644	4,265
Pete Miller, Inc.	1,176,819	1,138,055	38,764
Quandel Group, Inc.	1,950,543	1,151,464	799,079
Rhodes Heating & Electric	2,123,744	2,000,114	123,630
RWS Building Company	4,287,662	4,003,950	283,712
SSOE, Inc.	2,270,935	1,730,735	540,200
Vaughn Industries	4,495,042	4,120,981	374,061
Vulcan Enterprises	131,646	119,306	12,340
Weithman Brothers	7,674,981	6,501,873	1,173,108
Woolace Electric	816,938	796,144	20,794

**Note 13 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

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

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 was \$704,391, \$503,510, and \$495,891, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$4,070 made by the School District and \$12,829 made by plan members.

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

**B. School Employees Retirement System**

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$132,422, \$83,567, and \$59,111, respectively; 47 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001.

**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, 2003, three 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**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$54,497.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had 108,294 eligible benefit recipients.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$120,378 for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003, were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Note 15 - Other Employee Benefits**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**Note 15 - Other Employee Benefits** (continued)

**C. Special Termination Benefits**

The School District offered a special termination benefit to certified employees who retired as of July 1, 2003. Certified employees were offered a one time cash payment retirement incentive, in addition to their regular severance benefits and STRS pension benefits. The employee had to retire as of July 1, 2003, and not during the regular school year to be eligible. In addition, the employee had to have five continuous years of service with the School District and retire as soon as they were eligible to receive STRS retirement benefits. The benefit was equal to 10 percent of the employee' accumulated sick leave as of June 30, 2003, not in excess of two hundred twenty-five days. The benefit must be paid to the employee within thirty days of the effective date of retirement and at their current daily rate. At June 30, 2003, there was no liability for special termination benefits.

**Note 16 - Notes Payable**

The School District's notes payable activity for the fiscal year ended June 30, 2003, was as follows:

	Rate	Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
Governmental Activities					
Notes Payable	2.5%	\$265,000	\$0	\$265,000	\$0

On January 3, 2002, the School District issued bond anticipation notes, in the amount of \$265,000, to retire notes previously issued for acquiring school buses. The notes were issued under the authority of Ohio Revised Code Section 133.18. The notes had an interest rate of 2.5 percent and matured on January 2, 2003.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

**Note 17 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2002 School Improvement Bonds 2.2-5.25%	\$19,600,000	\$0	\$535,000	\$19,065,000	\$565,000
FY2003 School Bus Bonds 2.54%	0	175,000	0	175,000	58,333
Total General Obligation Bonds	19,600,000	175,000	535,000	19,240,000	623,333
Compensated Absences Payable	666,187	162,549	51,832	776,904	35,671
Capital Leases Payable	25,853	0	15,706	10,147	4,514
Total Governmental Activities Long -Term Obligations	<u>\$20,292,040</u>	<u>\$337,549</u>	<u>\$602,538</u>	<u>\$20,027,051</u>	<u>\$663,518</u>

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

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

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

The School District's overall debt margin was \$4,345,746 with an unvoted debt margin of \$250,541 at June 30, 2003.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**Note 17 - Long-Term Obligations** (continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003, were as follows:

Fiscal Year Ending June 30,	School Improvement Bonds		School Bus Bonds	
	Principal	Interest	Principal	Interest
2004	\$565,000	\$874,724	\$58,333	\$4,445
2005	570,000	860,106	58,333	2,963
2006	595,000	843,344	58,334	1,482
2007	615,000	824,425	0	0
2008	635,000	798,556	0	0
2009-2013	3,655,000	3,586,068	0	0
2014-2018	4,785,000	2,634,759	0	0
2019-2023	6,190,000	1,215,076	0	0
2024	1,455,000	38,194	0	0
<b>Total</b>	<b>\$19,065,000</b>	<b>\$11,675,252</b>	<b>\$175,000</b>	<b>\$8,890</b>

**Note 18 - Capital Leases - Lessee Disclosure**

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2003 were \$15,706.

Property under Capital Lease	Governmental Activities
	\$53,227
Less Accumulated Depreciation	(44,040)
<b>Total June 30, 2003</b>	<b>\$9,187</b>



River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**Note 18 - Capital Leases - Lessee Disclosure** (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2004	\$4,514	\$1,108
2005	5,169	453
2006	464	5
Total	\$10,147	\$1,566

**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 purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2003.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2002	\$0	\$0	\$51,952
Current Year Set Aside Requirement	225,892	225,892	0
Current Year Offsets	0	(166,593)	0
Qualifying Expenditures	(312,013)	(25,295,393)	(51,952)
Balance Carried Forward to Fiscal Year 2004	(\$86,121)	(\$25,236,094)	\$0
Set Aside Reserve Balance June 30, 2003	\$0	\$0	\$0

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

**Note 20 - Jointly Governed Organizations**

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

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2003, the School District paid \$69,460 to TRECA for various services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

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

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

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

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

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

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

**Note 20 - Jointly Governed Organizations** (continued)

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

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

**F. Metropolitan Educational Council**

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

**Note 21 - Insurance Pool**

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**Note 22 - State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**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, 2003.

**B. Litigation**

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

<u>FEDERAL GRANTOR</u> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$25,902	\$0	\$25,902
National School Lunch Program	48447-LLP4-02 48447-LLP4-03	10.555	14,885 59,766	0 0	14,885 59,766	0 0
			<u>74,651</u>	<u>0</u>	<u>74,651</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>74,651</u>	<u>25,902</u>	<u>74,651</u>	<u>25,902</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States	48447-6BSF-02 48447-6BSF-03	84.027	0 146,471	0 0	8,568 134,776	0 0
			<u>146,471</u>	<u>0</u>	<u>143,344</u>	<u>0</u>
Title I Grants to Local Educational Agencies	48447-C1S1-01 48447-C1S1-02 48447-C1S1-03 48447-C1SD-03	84.010	0 8,939 85,112 13,741	0 0 0 0	6,181 9,412 80,296 15,029	0 0 0 0
			<u>107,792</u>	<u>0</u>	<u>110,918</u>	<u>0</u>
Eisenhower Profesional Development State Grant	48447 MS-S1-99 48447 MS-S1-00 48447 MS-S1-01 48447 MS-S1-02	84.281	0 0 0 (2,355)	0 0 0 0	1,018 2,628 1,568 1,413	0 0 0 0
			<u>(2,355)</u>	<u>0</u>	<u>6,627</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grant	48447-DRS1-00 48447-DRS1-01 48447-DRS1-03	84.186	0 0 7,542	0 0 0	497 1,400 3,139	0 0 0
			<u>7,542</u>	<u>0</u>	<u>5,036</u>	<u>0</u>
Goals 2000 State and Local Education Systemic Improvement Grant	48447-G2S9-02	84.276	<u>0</u>	<u>0</u>	<u>11,857</u>	<u>0</u>
Innovative Educational Program Strategies	48447-C2S1-01 48447-C2S1-03	84.298	0 6,004	0 0	1,165 3,593	0 0
			<u>6,004</u>	<u>0</u>	<u>4,758</u>	<u>0</u>
Education Technology State Grants	48447-TJS1-03	84.318	<u>2,970</u>	<u>0</u>	<u>1,660</u>	<u>0</u>
Class Size Reduction	48447-CR-S1-02	84.340	<u>9,261</u>	<u>0</u>	<u>9,261</u>	<u>0</u>
School Renovation Program	48447-ATS3-02	84.352	<u>753</u>	<u>0</u>	<u>753</u>	<u>0</u>
Improving Teacher Quality State Grants	48447-TRS1-03	84.367	<u>40,701</u>	<u>0</u>	<u>32,395</u>	<u>0</u>
<i>Passed Through Marion Technical College:</i>						
Tech-Prep Education	N/A	84.243	<u>3,566</u>	<u>0</u>	<u>3,566</u>	<u>0</u>
Total U.S. Department of Education			<u>322,705</u>	<u>0</u>	<u>330,175</u>	<u>0</u>
<b><u>UNITED STATES DEPARTMENT OF THE ARMY</u></b>						
Defense Environmental Restoration Program	N/A	CA-01-RVLSD	<u>0</u>	<u>0</u>	<u>10,575,097</u>	<u>0</u>
<b>Total Federal Awards</b>			<u>\$397,356</u>	<u>\$25,902</u>	<u>\$10,979,923</u>	<u>\$25,902</u>

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**FOR THE YEAR ENDED JUNE 30, 2003**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B--CHILD NUTRITION CLUSTER**

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

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

**NOTE C--PASS-THROUGH ENTITY NUMBER: TECH PREP EDUCATION**

This grant does not have or require a pass through identity number.

**NOTE D—CFDA NUMBER: DEFENSE ENVIRONMENTAL RESTORATION PROGRAM**

This program does not have a CFDA number. It uses an identifying number.

**NOTE E--MATCHING REQUIREMENTS**

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

**NOTE F—FEDERAL GRANT TRANSFERS**

For fiscal year 2003, the Class Size Reduction grant (CFDA #84.340) and the Eisenhower Professional Development State Grant (CFDA #84.281) were discontinued. The unspent, unencumbered 2002 grant awards were transferred to a new program, Improving Teacher Quality (CFDA #84.367), which continued the purposes of the discontinued programs.

The amounts transferred from the Eisenhower Professional Development State Grant and the Class Size Reduction grant were \$2,355 and \$14,932, respectively.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the basic financial statements of the River Valley Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated May 4, 2004, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 4, 2004.

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

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 4, 2004.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

This report is intended solely for the information and use of the finance committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

May 4, 2004





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the River Valley Local School District, Marion County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

#### Internal Control Over Compliance

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

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

This report is intended for the information and use of the finance committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

May 4, 2004

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CA-01-RVLS: Defense Environmental Restoration Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$330,175 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None

**This Page is Intentionally Left Blank.**



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**RIVER VALLEY LOCAL SCHOOL DISTRICT**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 25, 2004**