



**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Classroom Facilities Maintenance funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 26, 2009

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2008 are as follows:

In total, net assets increased \$707,106, or 2 percent, an insignificant change from the prior fiscal year.

General revenues were \$15,292,852, or 77 percent of total revenues, and reflect the School District's continued dependence on property taxes and unrestricted state entitlements.

The School District continues to use the five-year forecast as the main financial management tool to determine future levies and/or adjustments to the budget. Assumptions are reviewed carefully by the River Valley Finance Committee to determine their reasonableness. Budget reductions in fiscal years 2004 and 2005, an increase in open enrollment students coming into the School District, and the careful monitoring of the School District's health insurance costs have given the School District the ability to consider various options regarding the timing for asking voters for new monies.

The taxing climate in Marion County is reflective of the environment throughout the State. The Board continues to consider the climate when considering the timing of a levy for new monies. The Board also has to consider the impact on the homeowner as our tangible personal property value is being reduced. River Valley's tangible personal property value was 18 percent of its total value in tax year 2005 (prior to the implementation of HB 66) and even though current levies will have a revenue replacement mechanism as a result of HB 66, new levies will not, and this will result in the shifting of our tax base to our resident payers.

The School District continues to be self insured for employee medical/drug insurance; OME-RESA Health Benefits serves as the administrator of the insurance plan with Self Funded Plans being the third party administrator. The School District's Employee Benefits Committee reviews the plan annually in an attempt to look at plan design modifications to contain costs. Due to changes in plan design and distribution of premiums among employees and the Board, the fund has gone from a deficit situation in fiscal year 2006 to positive net assets in fiscal year 2008.

With the increased open enrollment revenue, and the projection of revenues from TIF agreements, the School District's five-year forecast projects a positive carryover balance going into fiscal year 2012. High utility and fuel costs during fiscal year 2008, along with special education expenditures, continue to be a challenge to the School District's budget and the increased revenue from the open enrollment helped to manage these increases. Falling interest rates into 2009 continue to be a concern for the School District as this is one of the few non-taxpayer based revenues for the School District.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, all of the School District's activities are reported as governmental activities including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Proprietary Fund - The internal service fund is an accounting device used to accumulate and allocate costs internally among the School District's other programs and activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

| | Table 1 Net Assets | | |
|--|-----------------------|---------------------------------|-------------|
| | 2008 | Governmental Activities 2007 | Change |
| <u>Assets:</u> | | | |
| Current and Other Assets | \$17,913,574 | \$16,840,320 | \$1,073,254 |
| Capital Assets, Net | 39,462,521 | 40,610,221 | (1,147,700) |
| Total Assets | 57,376,095 | 57,450,541 | (74,446) |
| <u>Liabilities:</u> | | | |
| Current and Other Liabilities | 5,801,401 | 6,047,972 | 246,571 |
| Long-Term Liabilities | 17,094,344 | 17,629,325 | 534,981 |
| Total Liabilities | 22,895,745 | 23,677,297 | 781,552 |
| <u>Net Assets:</u> | | | |
| Invested in Capital Assets, Net of Related Debt | 23,348,263 | 23,837,599 | (489,336) |
| Restricted | 3,837,058 | 3,630,047 | 207,011 |
| Unrestricted | 7,295,029 | 6,305,598 | 989,431 |
| Total Net Assets | \$34,480,350 | \$33,773,244 | \$707,106 |

A review of the above table demonstrates the overall changes in assets, liabilities, or net assets were not that significant. However, the increase in current and other assets was in excess of \$1 million. This can be attributed to three primary sources, an increase in cash and cash equivalents resulting from the excess of revenues over expenses, an increase in the receivable for payment in lieu of taxes (additional monies from property tax abatement agreements in which the School District receives payments), and from resources due from River Valley Academy (the School District's discretely presented component unit). This increase is also reflected in the increase in unrestricted net assets. The decrease in capital assets net is the result of annual depreciation.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2008 and 2007.

Table 2
Change in Net Assets

| | Governmental Activities | | |
|--|-------------------------|-------------------|--------------------|
| | 2008 | 2007 | Change |
| <u>Revenues:</u> | | | |
| Program Revenues | | | |
| Charges for Services | \$3,113,807 | \$2,734,349 | \$379,458 |
| Operating Grants, Contributions, and Interest | 1,363,308 | 1,560,001 | (196,693) |
| Capital Grants and Contributions | 28,774 | 20,989 | 7,785 |
| Total Program Revenues | <u>4,505,889</u> | <u>4,315,339</u> | <u>190,550</u> |
| General Revenues | | | |
| Property Taxes Levied for General Purposes | 6,153,272 | 6,664,994 | (511,722) |
| Property Taxes Levied for Classroom Facilities Maintenance | 100,326 | 114,787 | (14,461) |
| Property Taxes Levied for Debt Service | 1,228,974 | 1,321,171 | (92,197) |
| Payment in Lieu of Taxes | 947,459 | 3,498,639 | (2,551,180) |
| Grants and Entitlements | 6,242,739 | 5,604,480 | 638,259 |
| Interest | 273,838 | 347,788 | (73,950) |
| Miscellaneous | 346,244 | 157,276 | 188,968 |
| Total General Revenues | <u>15,292,852</u> | <u>17,709,135</u> | <u>(2,416,283)</u> |
| Total Revenues | <u>19,798,741</u> | <u>22,024,474</u> | <u>(2,225,733)</u> |
| <u>Expenses:</u> | | | |
| Instruction: | | | |
| Regular | 9,805,598 | 8,817,110 | (988,488) |
| Special | 1,365,496 | 1,201,845 | (163,651) |
| Vocational | 189,048 | 157,609 | (31,439) |
| Support Services: | | | |
| Pupils | 457,151 | 501,522 | 44,371 |
| Instructional Staff | 794,481 | 786,634 | (7,847) |
| Board of Education | 14,481 | 10,724 | (3,757) |
| Administration | 1,276,962 | 1,233,546 | (43,416) |
| Fiscal | 497,049 | 461,591 | (35,458) |
| Business | 29,940 | 25,909 | (4,031) |
| Operation and Maintenance of Plant | 1,411,810 | 1,290,842 | (120,968) |
| Pupil Transportation | 976,804 | 903,622 | (73,182) |
| Central | 77,747 | 77,337 | (410) |

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
(continued)

| | Governmental Activities | | |
|---------------------------------|-------------------------|---------------------|--------------------|
| | 2008 | 2007 | Change |
| Non-Instructional Services | \$832,313 | \$764,704 | (\$67,609) |
| Extracurricular Activities | 587,975 | 601,602 | 13,627 |
| Interest and Fiscal Charges | 774,780 | 824,882 | 50,102 |
| Total Expenses | <u>19,091,635</u> | <u>17,659,479</u> | <u>(1,432,156)</u> |
| Increase in Net Assets | 707,106 | 4,364,995 | (3,657,889) |
| Net Assets at Beginning of Year | <u>33,773,244</u> | <u>29,408,249</u> | <u>4,364,995</u> |
| Net Assets at End of Year | <u>\$34,480,350</u> | <u>\$33,773,244</u> | <u>\$707,106</u> |

Program revenues represent approximately 23 percent of total revenues (slightly more than fiscal year 2007) and are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues. Charges for services increased somewhat from the prior fiscal year as a result of open enrollment. Operating grants and contributions decreased from fewer special education resources received in fiscal year 2008.

As stated previously, general revenues represent 77 percent of the School District's total revenues, and of this amount, approximately 49 percent is the result of property taxes. This is a slight decrease from fiscal year 2007. Again, HB 66 and the phase out of the tangible personal property tax revenue can be attributed to the decrease. Grants and entitlements, primarily State foundation resources make up the majority of the remaining balance of the School District's general revenues. Other revenue sources, such as interest and donations are somewhat unpredictable revenue sources. One significant change from fiscal year 2007 is the decrease in the payment in lieu of taxes revenue. The School District receives revenues which it would have otherwise received had the abatements not been entered into by Marion County and the developer. This revenue is recognized in full in the initial year of the agreement.

Expenses increased from the prior fiscal year by 8 percent and almost all programs had modest increases. The major program expense for governmental activities, as expected, is for instruction, which accounts for approximately 60 percent of all governmental expenses. The instruction category, however, does not include all activities associated with educating students such as the pupils, instructional staff, and pupil transportation costs which have a significant role in delivering education.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|------------------------------------|------------------------|---------------------|----------------------|---------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Instruction: | | | | |
| Regular | \$9,805,598 | \$8,817,110 | \$7,587,449 | \$6,768,124 |
| Special | 1,365,496 | 1,201,845 | 294,329 | 150,741 |
| Vocational | 189,048 | 157,609 | 121,521 | 99,331 |
| Support Services: | | | | |
| Pupils | 457,151 | 501,522 | 446,126 | 488,959 |
| Instructional Staff | 794,481 | 786,634 | 794,481 | 786,634 |
| Board of Education | 14,481 | 10,724 | 14,481 | 10,724 |
| Administration | 1,276,962 | 1,233,546 | 1,276,962 | 1,232,046 |
| Fiscal | 497,049 | 461,591 | 497,049 | 461,591 |
| Business | 29,940 | 25,909 | 29,940 | 25,909 |
| Operation and Maintenance of Plant | 1,411,810 | 1,290,842 | 1,406,810 | 1,284,802 |
| Pupil Transportation | 976,804 | 903,622 | 965,248 | 888,673 |
| Central | 77,747 | 77,337 | 65,747 | 65,337 |
| Non-Instructional Services | 832,313 | 764,704 | 23,592 | 48,922 |
| Extracurricular Activities | 587,975 | 601,602 | 287,231 | 207,465 |
| Interest and Fiscal Charges | 774,780 | 824,882 | 774,780 | 824,882 |
| Total Expenses | <u>\$19,091,635</u> | <u>\$17,659,479</u> | <u>\$14,585,746</u> | <u>\$13,344,140</u> |

Only a few of the School District's programs receive a significant amount of program revenues to offset their costs. Again in fiscal year 2008, one of these programs was special instruction which provides for 78 percent of program costs through program revenues, much of this in the form of operating grants restricted for special instruction purposes. Over 97 percent of non-instructional services were provided for through program revenues. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Due to the implementation of an extracurricular fee in fiscal year 2006, 51 percent of extracurricular activities expenses are covered by program revenues. The extracurricular fee is monitored closely to determine the affects on participation as the Board of Education feels strongly that extracurricular activities are a vital part of the life of River Valley students. As a result, the extracurricular fee was reduced for fiscal year 2008.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates a decrease in fund balances for the General Fund and Classroom Facilities special revenue fund and an increase in fund balance for the Bond Retirement Debt service fund. The decrease in the General Fund was 2 percent. The decrease in the Classroom Facilities Fund was less than 2 percent. The increase in the Bond Retirement fund is the result of two factors, property tax revenues in excess of amounts needed to make principal and interest payments and the premium received from the refunding bonds issued in fiscal year 2008.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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 2008, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget and from the final budget to actual revenues received were not significant. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$39,462,521 invested in capital assets (net of accumulated depreciation), a decrease of 3 percent and due to annual depreciation. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2008, included School Improvement general obligation bonds, in the amount of \$16,253,863. There were also outstanding capital leases for equipment in the amount of \$29,258. The School District's long-term obligations also include compensated absences.

On October 4, 2007, the School District refinanced \$9,255,000 in bonds originally issued in 2001. The "refunding" of this prior debt will save the School District approximately \$650,000 over the next fifteen years. This savings will be reflected in lower tax rates required to pay off the debt issued over that time period. The 2001 bonds were originally issued with interest rates from 2.2-5.25 percent. The refunding bonds have an interest rate of 4 percent. The refunding bonds will mature along the same timeline as the original bonds. The refunding bonds were rated Aa3 by Moody's Investors Service, reflecting the School District's participation in the Ohio State Credit Enhancement program. RBC Capital Markets served as the sole managing underwriter for the refunding bond sale.

For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

Current Issues

The School District's five-year forecast continues to be the instrument used to make future decisions with regard to program and funding strategies. With budget modifications in the way of reductions and realignment, the School District has been able to forecast a positive cash carryover going into fiscal year 2012. The dynamics in the taxing structure of the School District are changing rapidly with the phasing out of tangible personal property value at a much more rapid decline than in previous law.

The turnaround in open enrollment students coming into the School District at a greater rate than those leaving continues to be a bright spot. However, the loss of revenue to charter schools is a significant unknown. In fiscal year 2005, the River Valley Academy opened with the River Valley Local School District as its sponsor. The Board continues to monitor this community school to ensure accountability and this, along with other community school options, will also be a major focus for future funding and programming decisions.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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

In May 2008, the River Valley Teacher's Association and the River Valley Board of Education ratified a three-year negotiated agreement with a starting teacher's salary with a bachelor's degree, Step 0, being \$31,101 in fiscal year 2009, \$31,956 in fiscal year 2010, and \$32,915 in fiscal year 2011. This represents increases of 3 percent, 2.75 percent, and 3 percent, respectively. The period covered by the contract is from July 1, 2008, to June 30, 2011.

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

Contacting the School District's Financial Management

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2008**

| | Primary Governmental Activities | Component Unit River Valley Academy |
|---|---------------------------------------|--|
| <u>Assets:</u> | | |
| Equity in Pooled Cash and Cash Equivalents | \$5,867,242 | \$253,381 |
| Cash and Cash Equivalents | | |
| with Fiscal Agent | 491,827 | 0 |
| Accounts Receivable | 166,546 | 0 |
| Accrued Interest Receivable | 2,603 | 0 |
| Intergovernmental Receivable | 190,717 | 14,183 |
| Due from Component Unit | 217,639 | 0 |
| Prepaid Items | 13,668 | 0 |
| Inventory Held for Resale | 33,101 | 0 |
| Materials and Supplies Inventory | 55,344 | 0 |
| Property Taxes Receivable | 6,391,406 | 0 |
| Payment in Lieu of Taxes Receivable | 4,348,681 | 0 |
| Unamortized Issuance Cost | 134,800 | 0 |
| Nondepreciable Capital Assets | 971,089 | 0 |
| Depreciable Capital Assets, Net | 38,491,432 | 84,542 |
| Total Assets | 57,376,095 | 352,106 |
| <u>Liabilities:</u> | | |
| Accounts Payable | 81,246 | 2,128 |
| Accrued Wages and Benefits Payable | 1,440,931 | 0 |
| Matured Compensated Absences Payable | 40,212 | 0 |
| Intergovernmental Payable | 420,641 | 0 |
| Due to Primary Government | 0 | 217,639 |
| Deferred Revenue | 3,586,659 | 0 |
| Accrued Interest Payable | 109,774 | 0 |
| Separation Benefits Payable | 14,664 | 0 |
| Claims Payable | 107,274 | 0 |
| Long-Term Liabilities: | | |
| Due Within One Year | 818,748 | 0 |
| Due in More Than One Year | 16,275,596 | 0 |
| Total Liabilities | 22,895,745 | 219,767 |
| <u>Net Assets:</u> | | |
| Invested in Capital Assets, Net of Related Debt | 23,348,263 | 84,542 |
| Restricted For: | | |
| Debt Service | 1,700,685 | 0 |
| Capital Projects | 332,333 | 0 |
| Classroom Facilities Maintenance | 1,584,595 | 0 |
| Other Purposes | 219,445 | 0 |
| Unrestricted | 7,295,029 | 47,797 |
| Total Net Assets | \$34,480,350 | \$132,339 |

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF ACTIVITIES
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | Program Revenues | | | |
|------------------------------------|-------------------------|---|-------------------------------------|-----------------|
| | Charges for Services | Operating Grants, Contributions, and Interest | Capital Grants and Contributions | |
| Expenses | | | | |
| <u>Governmental Activities:</u> | | | | |
| Instruction: | | | | |
| Regular | \$9,805,598 | \$2,184,690 | \$21,241 | 12,218 |
| Special | 1,365,496 | 140,296 | 930,871 | 0 |
| Vocational | 189,048 | 0 | 67,527 | 0 |
| Support Services: | | | | |
| Pupils | 457,151 | 0 | 11,025 | 0 |
| Instructional Staff | 794,481 | 0 | 0 | 0 |
| Board of Education | 14,481 | 0 | 0 | 0 |
| Administration | 1,276,962 | 0 | 0 | 0 |
| Fiscal | 497,049 | 0 | 0 | 0 |
| Business | 29,940 | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 1,411,810 | 0 | 0 | 5,000 |
| Pupil Transportation | 976,804 | 0 | 0 | 11,556 |
| Central | 77,747 | 0 | 12,000 | 0 |
| Non-Instructional Services | 832,313 | 555,079 | 253,642 | 0 |
| Extracurricular Activities | 587,975 | 233,742 | 67,002 | 0 |
| Interest and Fiscal Charges | 774,780 | 0 | 0 | 0 |
| Total Governmental Activities | <u>\$19,091,635</u> | <u>\$3,113,807</u> | <u>\$1,363,308</u> | <u>\$28,774</u> |
| <u>Component Unit</u> | | | | |
| River Valley Academy | <u>\$567,313</u> | <u>\$0</u> | <u>\$57,448</u> | <u>\$0</u> |

General Revenues:

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

Change in Net Assets

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

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

| Governmental Activities | River Valley Academy |
|----------------------------|-------------------------|
| (\$7,587,449) | \$0 |
| (294,329) | 0 |
| (121,521) | 0 |
| (446,126) | 0 |
| (794,481) | 0 |
| (14,481) | 0 |
| (1,276,962) | 0 |
| (497,049) | 0 |
| (29,940) | 0 |
| (1,406,810) | 0 |
| (965,248) | 0 |
| (65,747) | 0 |
| (23,592) | 0 |
| (287,231) | 0 |
| (774,780) | 0 |
| <u>(14,585,746)</u> | <u>0</u> |
| <u>0</u> | <u>(509,865)</u> |
| 6,153,272 | 0 |
| 100,326 | 0 |
| 1,228,974 | 0 |
| 947,459 | 0 |
| 6,242,739 | 392,403 |
| 273,838 | 0 |
| 346,244 | 0 |
| <u>15,292,852</u> | <u>392,403</u> |
| 707,106 | (117,462) |
| <u>33,773,244</u> | <u>249,801</u> |
| <u><u>\$34,480,350</u></u> | <u><u>\$132,339</u></u> |

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

| | General | Classroom Facilities Maintenance | Bond Retirement | Other Governmental | Total Governmental Funds |
|---|---------------------|--|--------------------|-----------------------|--------------------------------|
| Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,433,210 | \$1,559,118 | \$1,314,505 | \$548,853 | \$5,855,686 |
| Cash and Cash Equivalents with Fiscal Agent | 0 | 0 | 0 | 613 | 613 |
| Accounts Receivable | 10,194 | 0 | 0 | 24,464 | 34,658 |
| Accrued Interest Receivable | 0 | 2,603 | 0 | 0 | 2,603 |
| Intergovernmental Receivable | 2,337 | 38 | 442 | 187,900 | 190,717 |
| Interfund Receivable | 91,729 | 0 | 0 | 0 | 91,729 |
| Due from Component Unit | 217,639 | 0 | 0 | 0 | 217,639 |
| Prepaid Items | 13,668 | 0 | 0 | 0 | 13,668 |
| Inventory Held for Resale | 0 | 0 | 0 | 33,101 | 33,101 |
| Materials and Supplies Inventory | 52,336 | 0 | 0 | 3,008 | 55,344 |
| Restricted Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 11,556 | 0 | 0 | 0 | 11,556 |
| Property Taxes Receivable | 5,044,107 | 101,767 | 1,245,532 | 0 | 6,391,406 |
| Payment in Lieu of Taxes Receivable | 4,348,681 | 0 | 0 | 0 | 4,348,681 |
| Total Assets | \$12,225,457 | \$1,663,526 | \$2,560,479 | \$797,939 | \$17,247,401 |
| Liabilities and Fund Balances: | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$46,844 | \$16,839 | 0 | \$17,563 | \$81,246 |
| Accrued Wages and Benefits Payable | 1,359,560 | 0 | 0 | 81,371 | 1,440,931 |
| Matured Compensated Absences Payable | 35,655 | 0 | 0 | 4,557 | 40,212 |
| Intergovernmental Payable | 375,797 | 0 | 0 | 44,844 | 420,641 |
| Interfund Payable | 0 | 0 | 0 | 91,729 | 91,729 |
| Deferred Revenue | 7,540,222 | 66,954 | 810,239 | 64,043 | 8,481,458 |
| Total Liabilities | 9,358,078 | 83,793 | 810,239 | 304,107 | 10,556,217 |
| Fund Balances: | | | | | |
| Reserved for Property Taxes | 1,995,279 | 34,844 | 435,662 | 0 | 2,465,785 |
| Reserved for Bus Purchase | 11,556 | 0 | 0 | 0 | 11,556 |
| Reserved for Encumbrances | 57,054 | 25,051 | 0 | 22,873 | 104,978 |
| Unreserved, Designated for Budget Stabilization | 85,600 | 0 | 0 | 0 | 85,600 |
| Unreserved, Undesignated Reported in: | | | | | |
| General Fund | 717,890 | 0 | 0 | 0 | 717,890 |
| Special Revenue Funds | 0 | 1,519,838 | 0 | 143,039 | 1,662,877 |
| Debt Service Fund | 0 | 0 | 1,314,578 | 0 | 1,314,578 |
| Capital Projects Funds | 0 | 0 | 0 | 327,920 | 327,920 |
| Total Fund Balances | 2,867,379 | 1,579,733 | 1,750,240 | 493,832 | 6,691,184 |
| Total Liabilities and Fund Balances | \$12,225,457 | \$1,663,526 | \$2,560,479 | \$797,939 | \$17,247,401 |

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

| | | |
|--|--------------|--------------|
| Total Governmental Fund Balances | | \$6,691,184 |
| <p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p> | | 39,462,521 |
| <p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p> | | |
| Accounts Receivable | 23,367 | |
| Intergovernmental Receivable | 44,765 | |
| Due from Component Unit | 217,639 | |
| Property Taxes Receivable | 338,330 | |
| Payment in Lieu of Taxes Receivable | 4,270,698 | |
| | | 4,894,799 |
| <p>Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.</p> | | 134,800 |
| <p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p> | | |
| Accrued Interest Payable | (109,774) | |
| Separation Benefits Payable | (14,664) | |
| School Improvement Bonds Payable | (16,253,863) | |
| Compensated Absences Payable | (811,223) | |
| Capital Leases Payable | (29,258) | |
| | | (17,218,782) |
| <p>An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.</p> | | 515,828 |
| Net Assets of Governmental Activities | | \$34,480,350 |

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | General | Classroom Facilities Maintenance | Bond Retirement | Other Governmental | Total Governmental Funds |
|---|--------------------|--|--------------------|-----------------------|--------------------------------|
| <u>Revenues:</u> | | | | | |
| Property Taxes | \$6,307,445 | \$103,761 | \$1,262,695 | \$0 | \$7,673,901 |
| Payment in Lieu of Taxes | 151,396 | 0 | 0 | 0 | 151,396 |
| Intergovernmental | 6,328,570 | 22,126 | 305,139 | 919,021 | 7,574,856 |
| Interest | 211,324 | 41,569 | 0 | 1,400 | 254,293 |
| Tuition and Fees | 2,261,377 | 0 | 0 | 169,690 | 2,431,067 |
| Extracurricular Activities | 0 | 0 | 0 | 299,429 | 299,429 |
| Charges for Services | 0 | 0 | 0 | 448,162 | 448,162 |
| Miscellaneous | 43,369 | 0 | 0 | 108,933 | 152,302 |
| Total Revenues | 15,303,481 | 167,456 | 1,567,834 | 1,946,635 | 18,985,406 |
| <u>Expenditures:</u> | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 9,084,256 | 0 | 0 | 124,685 | 9,208,941 |
| Special | 993,649 | 0 | 0 | 345,198 | 1,338,847 |
| Vocational | 186,872 | 0 | 0 | 3,607 | 190,479 |
| Support Services: | | | | | |
| Pupils | 392,001 | 0 | 0 | 68,667 | 460,668 |
| Instructional Staff | 538,839 | 0 | 0 | 246,068 | 784,907 |
| Board of Education | 14,481 | 0 | 0 | 0 | 14,481 |
| Administration | 1,230,972 | 0 | 0 | 44,119 | 1,275,091 |
| Fiscal | 450,736 | 2,801 | 32,301 | 15,025 | 500,863 |
| Business | 29,940 | 0 | 0 | 0 | 29,940 |
| Operation and Maintenance of Plant | 1,358,651 | 8,720 | 0 | 37,016 | 1,404,387 |
| Pupil Transportation | 886,594 | 0 | 0 | 1,372 | 887,966 |
| Central | 70,475 | 0 | 0 | 6,732 | 77,207 |
| Non-Instructional Services | 0 | 0 | 0 | 772,001 | 772,001 |
| Extracurricular Activities | 20,046 | 0 | 0 | 400,637 | 420,683 |
| Capital Outlay | 0 | 186,736 | 0 | 18,322 | 205,058 |
| Debt Service: | | | | | |
| Principal Retirement | 23,364 | 0 | 635,000 | 0 | 658,364 |
| Interest and Fiscal Charges | 3,264 | 0 | 763,418 | 0 | 766,682 |
| Issuance Costs | 0 | 0 | 134,800 | 0 | 134,800 |
| Total Expenditures | 15,284,140 | 198,257 | 1,565,519 | 2,083,449 | 19,131,365 |
| Excess of Revenues Over (Under) Expenditures | 19,341 | (30,801) | 2,315 | (136,814) | (145,959) |
| <u>Other Financing Sources (Uses):</u> | | | | | |
| Sale of Capital Assets | 0 | 0 | 0 | 230,000 | 230,000 |
| General Obligation Bonds Issued | 0 | 0 | 9,255,000 | 0 | 9,255,000 |
| Premium on Bonds Issued | 0 | 0 | 528,212 | 0 | 528,212 |
| Payment to Refunded Bond Escrow Agent | 0 | 0 | (9,648,412) | 0 | (9,648,412) |
| Transfers In | 0 | 0 | 0 | 78,219 | 78,219 |
| Transfers Out | (78,219) | 0 | 0 | 0 | (78,219) |
| Total Other Financing Sources (Uses) | (78,219) | 0 | 134,800 | 308,219 | 364,800 |
| Changes in Fund Balances | (58,878) | (30,801) | 137,115 | 171,405 | 218,841 |
| Fund Balances at Beginning of Year | 2,926,257 | 1,610,534 | 1,613,125 | 322,427 | 6,472,343 |
| Fund Balances at End of Year | <u>\$2,867,379</u> | <u>\$1,579,733</u> | <u>\$1,750,240</u> | <u>\$493,832</u> | <u>\$6,691,184</u> |

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Changes in Fund Balances - Total Governmental Funds \$218,841

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

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

| | | |
|---|------------------|-----------|
| Capital Outlay - Depreciable Capital Assets | 90,495 | |
| Capital Contributions | 5,000 | |
| Depreciation | <u>(886,409)</u> | (790,914) |

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 loss on disposal of capital assets on the statement of activities.

| | | |
|--------------------------------------|------------------|-----------|
| Proceeds from Sale of Capital Assets | (230,000) | |
| Loss on Disposal of Capital Assets | <u>(126,786)</u> | (356,786) |

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

| | | |
|----------------------------|----------------|---------|
| Property Taxes | (191,329) | |
| Payment in Lieu of Taxes | 796,063 | |
| Intergovernmental | (25,337) | |
| Interest | (302) | |
| Tuition and Fees | 836 | |
| Extracurricular Activities | 1,265 | |
| Miscellaneous | <u>205,892</u> | 787,088 |

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

| | | |
|---------------------------------------|---------------|------------|
| Payment to Refunded Bond Escrow Agent | 9,648,412 | |
| School Improvement Bonds | 635,000 | |
| Capital Leases | <u>23,364</u> | 10,306,776 |

Bond proceeds are other financing sources in the governmental funds but the issuance increase long-term liabilities on the statement of net assets. (9,255,000)

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

| | | |
|--|------------------|-----------|
| Accrued Interest Payable | \$25,965 | |
| Annual Accretion on Capital Appreciation Bonds | (34,063) | |
| Unamortized Premium | <u>(528,212)</u> | (536,310) |

Issuance costs are reported as an expenditure when paid in the governmental funds but is accrued on outstanding debt on the statement of activities.

134,800

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

| | | |
|------------------------------|---------------|--------|
| Separation Benefits Payable | (12,386) | |
| Compensated Absences Payable | <u>45,480</u> | 33,094 |

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 | 21,247 | |
| Allocated to Activities | <u>144,270</u> | <u>165,517</u> |

Change in Net Assets of Governmental Activities

\$707,106

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | Budgeted Amounts | | Actual | Variance with Final Budget Over |
|--|--------------------|--------------------|--------------------|---------------------------------------|
| | Original | Final | | (Under) |
| <u>Revenues:</u> | | | | |
| Property Taxes | \$5,222,346 | \$6,346,393 | \$6,267,166 | (\$79,227) |
| Payment in Lieu of Taxes | 160,000 | 106,641 | 73,413 | (33,228) |
| Intergovernmental | 6,880,482 | 6,072,260 | 6,328,570 | 256,310 |
| Interest | 275,000 | 275,000 | 214,498 | (60,502) |
| Tuition and Fees | 2,016,280 | 2,022,387 | 2,261,377 | 238,990 |
| Miscellaneous | 0 | 0 | 34,922 | 34,922 |
| Total Revenues | <u>14,554,108</u> | <u>14,822,681</u> | <u>15,179,946</u> | <u>357,265</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 8,777,895 | 8,781,061 | 8,835,839 | (54,778) |
| Special | 1,040,132 | 1,013,445 | 989,131 | 24,314 |
| Vocational | 185,752 | 192,587 | 191,515 | 1,072 |
| Support Services: | | | | |
| Pupils | 476,475 | 432,108 | 379,310 | 52,798 |
| Instructional Staff | 550,936 | 540,979 | 527,912 | 13,067 |
| Board of Education | 14,100 | 14,100 | 16,665 | (2,565) |
| Administration | 1,315,878 | 1,314,403 | 1,235,092 | 79,311 |
| Fiscal | 427,986 | 457,261 | 451,945 | 5,316 |
| Business | 50,355 | 49,502 | 55,307 | (5,805) |
| Operation and Maintenance of Plant | 1,409,169 | 1,412,607 | 1,353,570 | 59,037 |
| Pupil Transportation | 823,256 | 841,256 | 903,493 | (62,237) |
| Central | 95,315 | 95,315 | 68,562 | 26,753 |
| Non-Instructional Services | 500 | 500 | 0 | 500 |
| Extracurricular Activities | 17,530 | 20,155 | 20,027 | 128 |
| Total Expenditures | <u>15,185,279</u> | <u>15,165,279</u> | <u>15,028,368</u> | <u>136,911</u> |
| Excess of Revenues Under Expenditures | <u>(631,171)</u> | <u>(342,598)</u> | <u>151,578</u> | <u>494,176</u> |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Refund of Prior Year Expenditures | 0 | 0 | 1,929 | 1,929 |
| Refund of Prior Year Receipts | 0 | 0 | (127,883) | (127,883) |
| Advances In | 25,000 | 26,000 | 28,239 | 2,239 |
| Transfers Out | (80,000) | (80,000) | (78,219) | 1,781 |
| Total Other Financing Sources (Uses) | <u>(55,000)</u> | <u>(54,000)</u> | <u>(175,934)</u> | <u>(121,934)</u> |
| Changes in Fund Balance | (686,171) | (396,598) | (24,356) | 372,242 |
| Fund Balance at Beginning of Year | 2,367,121 | 2,367,121 | 2,367,121 | 0 |
| Prior Year Encumbrances Appropriated | 120,582 | 120,582 | 120,582 | 0 |
| Fund Balance at End of Year | <u>\$1,801,532</u> | <u>\$2,091,105</u> | <u>\$2,463,347</u> | <u>\$372,242</u> |

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|--------------------------------------|---------------------------|---------------------------|---------------------------|--|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Property Taxes | \$112,822 | \$140,956 | \$107,041 | (\$33,915) |
| Intergovernmental | 12,178 | 20,115 | 22,126 | 2,011 |
| Interest | 0 | 36,000 | 48,827 | 12,827 |
| Total Revenues | <u>125,000</u> | <u>197,071</u> | <u>177,994</u> | <u>(19,077)</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Support Services: | | | | |
| Fiscal | 10,000 | 10,000 | 2,801 | 7,199 |
| Operation and Maintenance of Plant | 140,000 | 190,000 | 7,524 | 182,476 |
| Capital Outlay | 5,052 | 55,052 | 225,727 | (170,675) |
| Total Expenditures | <u>155,052</u> | <u>255,052</u> | <u>236,052</u> | <u>19,000</u> |
| Changes in Fund Balance | (30,052) | (57,981) | (58,058) | (77) |
| Fund Balance at Beginning of Year | 1,570,457 | 1,570,457 | 1,570,457 | 0 |
| Prior Year Encumbrances Appropriated | 5,052 | 5,052 | 5,052 | 0 |
| Fund Balance at End of Year | <u><u>\$1,545,457</u></u> | <u><u>\$1,517,528</u></u> | <u><u>\$1,517,451</u></u> | <u><u>(\$77)</u></u> |

See Accompanying Notes to the Basic Financial Statements

RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

| | <u>Governmental Activity</u> |
|--|----------------------------------|
| | <u>Internal Service</u> |
| <u>Current Assets:</u> | |
| Cash and Cash Equivalents with Fiscal Agent | \$491,214 |
| Accounts Receivable | <u>131,888</u> |
| Total Assets | 623,102 |
| <u>Current Liabilities:</u> | |
| Claims Payable | <u>107,274</u> |
| <u>Net Assets:</u> | |
| Unrestricted | <u><u>\$515,828</u></u> |

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | Governmental Activity |
|---------------------------------|--------------------------|
| | Internal Service |
| <u>Operating Revenues:</u> | |
| Charges for Services | \$1,891,311 |
| <u>Operating Expenses:</u> | |
| Purchased Services | 298,213 |
| Claims | 1,448,828 |
| Total Operating Expenses | 1,747,041 |
| Operating Income | 144,270 |
| Interest Revenue | 21,247 |
| Change in Net Assets | 165,517 |
| Net Assets at Beginning of Year | 350,311 |
| Net Assets at End of Year | \$515,828 |

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | 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 | \$1,759,423 |
| Cash Payments for Goods and Services | (298,213) |
| Cash Payments for Claims | (1,440,249) |
| Net Cash Provided by Operating Activities | 20,961 |
| <u>Cash Flows from Investing Activities:</u> | |
| Cash Received from Interest | 21,247 |
| Net Increase in Cash and Cash Equivalents | 42,208 |
| Cash and Cash Equivalents at Beginning of Year | 449,006 |
| Cash and Cash Equivalents at End of Year | \$491,214 |
| Reconciliation of Operating Income | |
| <u>to Net Cash Provided by Operating Activities:</u> | |
| Operating Income | 144,270 |
| Adjustments to Reconcile Operating Income | |
| <u>to Net Cash Provided by Operating Activities:</u> | |
| Increase in Accounts Receivable | (131,888) |
| Increase in Claims Payable | 8,579 |
| Net Cash Provided by Operating Activities | \$20,961 |

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

| | Private Purpose Trust | Agency |
|--|--------------------------|-----------|
| <u>Assets:</u> | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,250 | \$119,458 |
| <u>Liabilities:</u> | | |
| Due to Students | 0 | \$117,007 |
| Undistributed Assets | 0 | 2,451 |
| Total Liabilities | 0 | \$119,458 |
| <u>Net Assets:</u> | | |
| Held in Trust for Scholarships | \$1,250 | |

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | |
|---------------------------------|-----------------------|
| <u>Additions:</u> | \$0 |
| <u>Deductions:</u> | <u>0</u> |
| Change in Net Assets | 0 |
| Net Assets at Beginning of Year | <u>1,250</u> |
| Net Assets at End of Year | <u><u>\$1,250</u></u> |

See Accompanying Notes to the Basic Financial Statements

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**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1960. The School District serves an area of approximately one hundred thirty-one square miles. It is located in Marion and Morrow Counties, and includes all of the Villages of Caledonia, Claridon, Martel, and Waldo. The School District is the 267th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty-two classified employees, one hundred nineteen certified teaching personnel, and fifteen administrative employees who provide services to 1,935 students and other community members. The School District currently operates four instructional buildings, an administration building, and a bus garage.

Reporting Entity

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

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

The component unit column on the financial statements identifies the financial data of the School District's component unit, River Valley Academy (RVA). It is reported separately to emphasize that it is legally separate from the School District. Information about this component unit is presented in Note 22 to the basic financial statements.

River Valley Academy - RVA is a legally separate, not-for-profit corporation. RVA, under a contractual agreement with the River Valley Local School District, provides educational opportunities through distance learning technologies. River Valley Local School District is RVA's sponsoring government and RVA's five member Board of Directors is appointed by River Valley Local School District's Board of Education. River Valley Local School District is financially accountable for RVA as it appoints RVA's Board and can also remove appointed members; therefore, it can impose its will on RVA. RVA is reported as a discretely presented component unit on River Valley Local School District's financial statements. Separately issued financial statements for RVA can be obtained from the Treasurer of the River Valley Local School District, 197 Brocklesby Road, Caledonia, Ohio 43314.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

Proprietary Fund

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's internal service fund accounts for the activities of the self insurance program for employee health care benefits.

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services.

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

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

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

F. Cash and Investments

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

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

During fiscal year 2008, investments consisted of nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are recorded at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2008 was \$211,324, which includes \$79,839 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, 2008, 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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts set aside for unexpended revenues restricted for bus purchases.

J. Capital Assets

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

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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

| <u>Description</u> | <u>Useful Lives</u> |
|-------------------------------------|---------------------|
| Land Improvements | 10 - 40 years |
| Buildings and Building Improvements | 20 - 75 years |
| Furniture, Fixtures, and Equipment | 3 - 45 years |
| Vehicles | 10 years |

K. Interfund Assets/Liabilities

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

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 paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as liabilities on the fund financial statements when due.

N. Unamortized Issuance Costs and Premiums

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

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

O. Unamortized Loss on Advance Refunding

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. As of June 30, 2008, the School District did not have any net assets restricted by enabling legislation.

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Q. 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, bus purchase, and encumbrances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

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

R. 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.

S. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

T. Interfund Transactions

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

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

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

U. Estimates

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 3 - Change in Accounting Principles, Correction of an Error, and Restatement of Net Assets

A. Change in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the State Teachers Retirement System and the School Employees Retirement System postemployment healthcare plans, in the amount of \$11,703 and \$41,386, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

B. Accounting Change and Restatement of Net Assets

In the prior fiscal year, the receivable for payment in lieu of taxes was not recorded. However, a long term receivable should be shown for the entire expected future receipts from the payment in lieu of taxes. Therefore, this resulted in the following restatement of net assets for Governmental Activities at June 30, 2007:

| | |
|--------------------------------------|----------------------------|
| | Governmental Activities |
| Net Assets at June 30, 2007 | <u>\$30,298,609</u> |
| Payment in Lieu of Taxes Receivable | 3,474,635 |
| Restated Net Assets at June 30, 2007 | <u>\$33,773,244</u> |

Note 4 - Accountability

At June 30, 2008, the SAAC Program, EMIS, Miscellaneous State Grants, and Drug Free special revenue funds had deficit fund balances, in the amount of \$2,494, \$41, \$32, and \$837, 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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 5 - Budgetary Basis of Accounting

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

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

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

Changes in Fund Balance

| | General Fund | Classroom Facilities Maintenance Fund |
|--|-----------------|--|
| GAAP Basis | (\$58,878) | (\$30,801) |
| <u>Increase (Decrease) Due to:</u> | | |
| Revenue Accruals: | | |
| Accrued FY 2007, Received in Cash FY 2008 | 1,961,932 | 47,992 |
| Accrued FY 2008, Not Yet Received in Cash | (2,082,907) | (37,454) |
| Expenditure Accruals: | | |
| Accrued FY 2007, Paid in Cash FY 2008 | (1,602,829) | (12,967) |
| Accrued FY 2008, Not Yet Paid in Cash | 1,817,856 | 16,839 |
| Unrecorded Cash Activity 2007 | 383 | 0 |
| Unrecorded Cash Activity 2008 | (1,014) | 0 |
| | | (continued) |

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 5 - Budgetary Basis of Accounting (continued)

Changes in Fund Balance
(continued)

| | General Fund | Classroom Facilities Maintenance Fund |
|---|-----------------|--|
| Prepaid Items | (\$3,417) | \$0 |
| Materials and Supplies Inventory | (11,758) | 0 |
| Advances In | 28,239 | 0 |
| Encumbrances Outstanding at Fiscal Year End (Budget Basis) | (71,963) | (41,667) |
| Budget Basis | (\$24,356) | (\$58,058) |

Note 6 - Deposits and Investments

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

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

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

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

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

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 6 - Deposits and Investments (continued)

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

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

Investments

As of June 30, 2008, the fair value of funds on deposit with STAR Ohio was \$3,244,261. The School District's investments in STAR Ohio have an average maturity of 53.8 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 - Receivables

Receivables at June 30, 2008, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, amounts due from component unit, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and payment in lieu of taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes, in the amount of \$4,196,808, will not be received within one year.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 7 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|-------------------------------------|-----------|
| Governmental Activities | |
| Major Funds | |
| General Fund | |
| Homestead and Rollback | \$2,337 |
| Classroom Facilities Maintenance | |
| Homestead and Rollback | 38 |
| Bond Retirement | |
| Homestead and Rollback | 442 |
| Total Major Funds | 2,817 |
| Other Governmental Funds | |
| Part B-IDEA | 118,894 |
| Title I | 48,608 |
| Title V | 2,616 |
| Drug Free | 1,387 |
| Title II-A | 15,206 |
| Title II-D | 1,189 |
| Total Other Governmental Funds | 187,900 |
| Total Intergovernmental Receivables | \$190,717 |

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 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 8 - Property Taxes (continued)

Public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, is 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this settlement was not received by the School District within fiscal year 2008.

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late personal property settlement and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$1,995,279 in the General Fund, \$34,844 in the Classroom Facilities Maintenance special revenue fund, and \$435,662 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2007, was \$1,954,492 in the General Fund, \$38,117 in the Classroom Facilities Maintenance special revenue fund, and \$427,155 in the Bond Retirement debt service fund.

The late tax settlement made by the counties for fiscal year 2008 was \$552 in the General Fund, \$7 in the Classroom Facilities Maintenance special revenue fund, and \$73 in the Bond Retirement debt service fund. For fiscal year 2007, these amounts were \$1,060 in the General Fund, \$14 in the Classroom Facilities Maintenance special revenue fund, and \$140 in the Bond Retirement debt service fund.

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 8 - Property Taxes (continued)

The assessed values upon which fiscal year 2008 taxes were collected are:

| | <u>2007 Second- Half Collections</u> | | <u>2008 First- Half Collections</u> | |
|---|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$159,592,920 | 59.28% | \$174,302,180 | 62.95% |
| Industrial/Commercial | 64,441,890 | 23.93 | 67,461,500 | 24.37 |
| Public Utility | 10,033,920 | 3.73 | 9,719,560 | 3.51 |
| Tangible Personal | <u>35,152,076</u> | <u>13.06</u> | <u>25,385,842</u> | <u>9.17</u> |
| Total Assessed Value | <u>\$269,220,806</u> | <u>100.00%</u> | <u>\$276,869,082</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$43.50 | | \$43.50 | |

Note 9 - Payment in Lieu of Taxes

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

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

| | <u>Balance at 6/30/07</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at 6/30/08</u> |
|--|-------------------------------|------------------|-------------------|-------------------------------|
| Governmental Activities | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$1,066,750 | \$0 | (\$95,661) | \$971,089 |
| Depreciable Capital Assets | | | | |
| Land Improvements | 949,644 | 8,000 | 0 | 957,644 |
| Buildings and Building Improvements | 39,720,816 | 0 | (562,888) | 39,157,928 |
| Furniture, Fixtures, and Equipment | 2,615,437 | 87,495 | (115,445) | 2,587,487 |
| Vehicles | <u>1,325,110</u> | <u>0</u> | <u>0</u> | <u>1,325,110</u> |
| Total Depreciable Capital Assets | <u>44,611,007</u> | <u>95,495</u> | <u>(678,333)</u> | <u>44,028,169</u> |

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 10 - Capital Assets (continued)

| | Balance at 6/30/07 | Additions | Reductions | Balance at 6/30/08 |
|--|-----------------------|--------------------|--------------------|-----------------------|
| Less Accumulated Depreciation | | | | |
| Land Improvements | (\$87,364) | (\$24,594) | \$0 | (\$111,958) |
| Buildings and Building Improvements | (2,811,723) | (629,762) | 302,434 | (3,139,051) |
| Furniture, Fixtures, and Equipment | (1,299,997) | (141,418) | 114,774 | (1,326,641) |
| Vehicles | (868,452) | (90,635) | 0 | (959,087) |
| Total Accumulated Depreciation | <u>(5,067,536)</u> | <u>(886,409)</u> | <u>417,208</u> | <u>(5,536,737)</u> |
| Depreciable Capital Assets, Net | <u>39,543,471</u> | <u>(790,914)</u> | <u>(261,125)</u> | <u>38,491,432</u> |
| Governmental Activities Capital Assets, Net | <u>\$40,610,221</u> | <u>(\$790,914)</u> | <u>(\$356,786)</u> | <u>\$39,462,521</u> |

During fiscal year 2008, the School District accepted contributions of depreciable capital assets with a fair value of \$5,000.

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|------------------|
| Instruction: | |
| Regular | \$400,378 |
| Special | 31,319 |
| Vocational | 13,456 |
| Support Services: | |
| Pupils | 58 |
| Instructional Staff | 31,490 |
| Administration | 41,008 |
| Fiscal | 1,213 |
| Operation and Maintenance of Plant | 23,700 |
| Pupil Transportation | 105,372 |
| Central | 200 |
| Non-Instructional Services | 70,923 |
| Extracurricular Activities | 167,292 |
| Total Depreciation Expense | <u>\$886,409</u> |

Note 11 - Interfund Assets/Liabilities

At June 30, 2008, the General Fund had an interfund receivable, in the amount of \$91,729, from other governmental funds for short-term loans made to those funds.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 12- Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted for the following insurance coverage.

Coverage provided by the Netherlands Indemnity Company is as follows:

| | |
|-----------------------|-------------|
| General Liability | |
| Per Occurrence | \$1,000,000 |
| General Aggregate | 2,000,000 |
| Building and Contents | 46,117,384 |
| Vehicle Liability | 1,000,000 |

Coverage provided by the Midwestern Indemnity Company is as follows:

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

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

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

The School District offers medical insurance to all employees through a self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The internal service fund covers claims up to \$400,000 per individual and \$1,000,000 total aggregate annually. Settled claims have not exceeded this coverage for the past three years. Stop loss insurance covers claims in excess of these limits. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2008, was estimated by the third party administrator at \$107,274.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 12- Risk Management (continued)

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

| | Beginning Balance | Current Year Claims and Changes in Estimates | Claims Payments | Ending Balance |
|------|----------------------|---|--------------------|-------------------|
| 2008 | \$98,695 | \$1,448,828 | \$1,440,249 | \$107,274 |
| 2007 | 195,025 | 1,049,915 | 1,146,245 | 98,695 |

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 13 - Defined Benefit Pension Plans (continued)

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 was \$894,666, \$848,412, and \$799,029 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for fiscal year 2008 were \$1,138 made by the School District and \$30,691 made by the plan members.

B. School Employees Retirement System

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$183,871, \$189,489, and \$170,968 respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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, 2008, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$68,908, \$65,363, and \$61,552 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2008, this amount was \$114,184.

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

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$83,906, 62,910, and \$59,664 respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 14 - Postemployment Benefits (continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$13,248, \$12,885, and \$13,608 respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 15 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

C. Separation Benefits

The School District offered a separation benefit to certified employees who retired as of July 1, 2008. Certified employees were offered a one time cash payment incentive, in addition to their regular severance benefits and STRS pension benefits. The employee had to retire as of July 1, 2008, and not during the regular school year to be eligible. In addition, the employee had to have five continuous years of service with the School District and retire as soon as they were eligible to receive STRS retirement benefits. The benefit was equal to 10 percent of the employee's accumulated sick leave as of June 30, 2008, 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, 2008, the liability for separation benefits was \$14,664.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

| | Balance at 6/30/07 | Additions | Reductions | Balance at 6/30/08 | Amounts Due Within One Year |
|--|-----------------------|-------------|-------------|-----------------------|--------------------------------------|
| Governmental Activities | | | | | |
| General Obligation Bonds | | | | | |
| FY2008 School Improvement Refunding Bonds | | | | | |
| Serial Bonds - 4% | \$0 | \$8,960,000 | \$0 | \$8,960,000 | \$75,000 |
| Capital Appreciation Bonds | 0 | 295,000 | 0 | 295,000 | 0 |
| Accretion on Capital Appreciation Bonds | 0 | 34,063 | 0 | 34,063 | 0 |
| Premium | 0 | 528,212 | 0 | 528,212 | 0 |
| Accounting Loss | 0 | (393,412) | 0 | (393,412) | 0 |
| FY2002 School Improvement Bonds 2.2-5.25% | 16,720,000 | 0 | 9,890,000 | 6,830,000 | 670,000 |
| Total General Obligation Bonds | 16,720,000 | 9,423,863 | 9,890,000 | 16,253,863 | 745,000 |
| Compensated Absences Payable | 856,703 | 4,675 | 50,155 | 811,223 | 50,883 |
| Capital Leases Payable | 52,622 | 0 | 23,364 | 29,258 | 22,865 |
| Total Governmental Activities Long -Term Obligations | \$17,629,325 | \$9,428,538 | \$9,963,519 | \$17,094,344 | \$818,748 |

FY2008 School Improvement Refunding Bonds - On October 4, 2007, the School District issued bonds, in the amount of \$9,255,000, to partially refund bonds previously issued in fiscal year 2002 for construction of two elementary schools, a middle school, and a high school. The refunding bond issue includes serial and capital appreciation bonds, in the amount of \$8,960,000 and \$295,000, respectively. The bonds were issued at a premium of \$528,212. The bonds were issued for a fifteen year period, with final maturity during fiscal year 2023. The bonds will be retired through the Bond Retirement debt service fund.

The net proceeds of the refunding bond issue, in the amount of \$9,648,412, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the FY2002 School Improvement Bonds. As a result, \$9,255,000 of the FY2002 School Improvement Bonds are considered to be defeased and the liability for the bonds has been removed from the School District's financial statements. At June 30, 2008, \$9,255,000 of this debt was still outstanding.

Although the refunding will result in the recognition of an accounting loss of \$393,412, the School District in effect decreased its aggregate debt service payments by \$650,247 over the next fifteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$491,562.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 16 - Long-Term Obligations (continued)

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on November 1, 2016, in the amount of \$1,115,000. For fiscal year 2008, \$34,063 was accreted on the capital appreciation bonds for a total bond value of \$329,063 at fiscal year end.

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

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

The School District's overall debt margin was \$7,445,035 with an unvoted debt margin of \$241,998 at June 30, 2008.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2008, were as follows:

| Fiscal Year Ending | General Obligation Bonds | | | |
|-----------------------|--------------------------|-------------------------|-------------|--------------|
| | Serial | Capital Appreciation | Interest | Total |
| 2009 | \$745,000 | \$0 | \$645,419 | \$1,390,419 |
| 2010 | 750,000 | 0 | 618,069 | 1,368,069 |
| 2011 | 780,000 | 0 | 589,256 | 1,369,256 |
| 2012 | 860,000 | 0 | 557,368 | 1,417,368 |
| 2013 | 895,000 | 0 | 522,268 | 1,417,268 |
| 2014-2018 | 4,125,000 | 295,000 | 2,831,742 | 7,251,742 |
| 2019-2023 | 6,180,000 | 0 | 1,021,540 | 7,201,540 |
| 2024 | 1,455,000 | 0 | 38,194 | 1,493,194 |
| | \$15,790,000 | \$295,000 | \$6,823,856 | \$22,908,856 |

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 17 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2008 were \$23,364.

| | Governmental Activities |
|-------------------------------|----------------------------|
| Property under Capital Lease | \$71,184 |
| Less Accumulated Depreciation | (47,092) |
| Total June 30, 2008 | \$24,092 |

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

| Year | Governmental Activities | |
|-------|-------------------------|----------|
| | Principal | Interest |
| 2009 | \$22,865 | 1,477 |
| 2010 | 6,393 | 147 |
| Total | \$29,258 | \$1,624 |

Note 18 - Set Asides

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 18 - Set Asides (continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

| | Textbooks | Capital Improvements |
|---|-------------|----------------------|
| Balance June 30, 2007 | (\$62,663) | \$0 |
| Current Year Set Aside Requirement | 292,478 | 292,478 |
| Qualifying Expenditures | (431,381) | 0 |
| Current Year Offsets | 0 | (292,478) |
| Balance Carried Forward to Fiscal Year 2009 | (\$201,566) | \$0 |
| Set Aside Reserve Balance June 30, 2008 | \$0 | \$0 |

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

Note 19 - Interfund Transfers

During fiscal year 2007, the General Fund made transfers to other governmental funds, in the amount of \$78,219, to subsidize operations in other funds.

Note 20 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2008, the School District paid \$64,117 to TRECA for various services. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 100 Executive Drive, Marion, Ohio 43302.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 20 - Jointly Governed Organizations (continued)

B. Tri-Rivers Joint Vocational School

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

C. Northwestern Ohio Educational Research Council, Inc.

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

D. Metropolitan Educational Council

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

Note 21- Insurance Pools

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

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 21- Insurance Pools (continued)

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool comprised of seventy-five members, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible limit and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the plans participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. Contributions in excess of these amounts, along with the proportionate share of interest earned on these contributions, will be returned to the School District.

Note 22 - River Valley Academy

A. Basis of Presentation

River Valley Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. River Valley Academy uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

Note 22 - River Valley Academy (continued)

B Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

| | Balance at 6/30/07 | Additions | Reductions | Balance at 6/30/08 |
|-------------------------------|-----------------------|-------------------|------------|-----------------------|
| Depreciable Capital Assets | | | | |
| Equipment | \$137,591 | \$2,200 | \$0 | \$139,791 |
| Less Accumulated Depreciation | (36,901) | (18,348) | 0 | (55,249) |
| Capital Assets, Net | <u>\$100,690</u> | <u>(\$16,148)</u> | <u>\$0</u> | <u>\$84,542</u> |

Note 23 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|------------------------------------|--------------------------|------------------------------|--------------------------|-----------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | |
| <i>Passed Through the Ohio Department of Education</i> | | | | | |
| Food Donation | 10.550 | \$ - | \$ 61,884 | \$ - | \$ 61,884 |
| Nutrition Cluster: | | | | | |
| School Breakfast Program | 10.553 | 49,660 | - | 49,660 | - |
| National School Lunch Program | 10.555 | 229,168 | - | 229,168 | - |
| Total Nutrition Cluster | | <u>278,828</u> | <u>-</u> | <u>278,828</u> | <u>-</u> |
| Total U.S. Department of Agriculture | | <u>278,828</u> | <u>61,884</u> | <u>278,828</u> | <u>61,884</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | |
| <i>Passed Through the Ohio Department of Education</i> | | | | | |
| Special Education Grants to States | 84.027 | 339,294 | - | 376,238 | - |
| Title I Grants to Local Educational Agencies | 84.010 | 120,916 | - | 167,530 | - |
| State Grants for Innovative Programs | 84.298 | 3,210 | - | 3,509 | - |
| Improving Teacher Quality State Grants | 84.367 | 55,866 | - | 66,259 | - |
| Safe and Drug-Free Schools and Communities State Grants | 84.186 | 4,743 | - | 5,303 | - |
| Education Technology State Grants | 84.318 | 65 | - | 1,138 | - |
| Total U.S. Department of Education | | <u>524,094</u> | <u>-</u> | <u>619,977</u> | <u>-</u> |
| TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES | | <u>\$ 802,922</u> | <u>\$ 61,884</u> | <u>\$ 898,805</u> | <u>\$ 61,884</u> |

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – TRANSFERS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with the Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. The District can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2008, ODE authorized the following transfers:

| CFDA Number | Program Title | Grant Year | Transfers Out | Transfers In |
|--------------------|--|-------------------|----------------------|---------------------|
| 84.010 | Title I Grants to Local Educational Agencies | 2007 | \$41,606 | |
| 84.010 | Title I Grants to Local Educational Agencies | 2008 | | \$41,606 |
| 84.367 | Improving Teacher Quality State Grants | 2007 | 8,777 | |
| 84.367 | Improving Teacher Quality State Grants | 2008 | | 8,777 |
| 84.298 | State Grants for Innovative Programs | 2007 | 1,293 | |
| 84.298 | State Grants for Innovative Programs | 2008 | | 1,293 |
| 84.027 | Special Education Grants to States | 2007 | 44,037 | |
| 84.027 | Special Education Grants to States | 2008 | | 44,037 |
| 84.318 | Education Technology Grants | 2007 | 670 | |
| 84.318 | Education Technology Grants | 2008 | | 670 |
| Totals | | | \$96,383 | \$96,383 |



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 26, 2009.

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



Mary Taylor, CPA
Auditor of State

March 26, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of River Valley Local School District, Marion County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, River Valley Local School District, Marion County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

March 26, 2009

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

RIVER VALLEY LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 7, 2009**