



Dave Yost • Auditor of State

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
General Purpose External Financial Statements	
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government – Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	23
Statement of Fund Net Position – Proprietary Fund	24
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	25
Statement of Cash Flows – Proprietary Fund.....	26
Statement of Fiduciary Net Position – Fiduciary Funds.....	27
Statement of Change in Fiduciary Net Position – Private Purpose Trust Fund.....	28
Notes to the Basic Financial Statements	29
Schedule of the School District's Proportionate Share of the Net Pension Liability - School Employees Retirement System of Ohio	69
Schedule of the School District's Proportionate Share of the Net Pension Liability - State Teachers Retirement System of Ohio	70
Schedule of the School District's Contributions - School Employees Retirement System of Ohio	72

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Schedule of School District's Contributions - State Teachers Retirement System of Ohio	74
Schedule of Federal Awards Receipts and Expenditures.....	77
Notes to the Schedule of Federal Awards Receipts and Expenditures	78
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	79
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	81
Schedule of Findings.....	85
Corrective Action Plan.....	88
Schedule of Prior Audit Findings.....	89



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Additionally discussed in Note 3 to the financial statements, the fiscal year 2014 financial statements have been restated due to a change in fund structure.

We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 30, 2016

THIS PAGE INTENTIONALLY LEFT BLANK

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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, 2015. 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 2015 are as follows:

In total, net position increased \$1,238,038, or approximately 15 percent.

General revenues were \$14,917,322, or 71 percent of total revenues, and reflect the School District's dependence on property taxes and unrestricted state entitlements.

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2015. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

In the statement of net position and the statement of activities, all of the School District's activities are reported as governmental activities. All of the School District's programs and services are reported here, including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues

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 and the Bond Retirement debt service fund.

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

Proprietary Fund - The School District has one type of proprietary fund. The internal service fund is an accounting device used to accumulate and allocate internal costs among other programs and activities. The School District's internal service fund accounts for the self-insured medical insurance and drug program.

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2015 and fiscal year 2014:

Table 1
Net Position

	Governmental Activities		Change
	2015	2014	
<u>Assets</u>			
Current and Other Assets	\$13,409,298	\$12,331,423	\$1,077,875
Capital Assets, Net	35,180,078	35,710,669	(530,591)
Total Assets	48,589,376	48,042,092	547,284
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	367,906	373,220	(5,314)
Pension	1,474,825	1,152,698	322,127
Total Deferred Outflows of Resources	1,842,731	1,525,918	316,813

(continued)

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		Change
	2015	2014	
<u>Liabilities</u>			
Current and Other Liabilities	\$2,059,404	\$1,859,345	(\$200,059)
Long-Term Liabilities			
Pension	19,270,875	22,892,925	3,622,050
Other Amounts	12,129,535	12,850,269	720,734
Total Liabilities	<u>33,459,814</u>	<u>37,602,539</u>	<u>4,142,725</u>
<u>Deferred Inflows of Resources</u>			
Pension	3,477,611	0	(3,477,611)
Other Amounts	4,179,763	3,888,590	(291,173)
Total Deferred Inflows of Resources	<u>7,657,374</u>	<u>3,888,590</u>	<u>(3,768,784)</u>
<u>Net Position</u>			
Net Investment in Capital Assets	24,775,213	25,599,329	(824,116)
Restricted	2,205,752	2,371,552	(165,800)
Unrestricted (Deficit)	<u>(17,666,046)</u>	<u>(19,894,000)</u>	<u>2,227,954</u>
Total Net Position	<u>\$9,314,919</u>	<u>\$8,076,881</u>	<u>\$1,238,038</u>

During fiscal year 2015, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB Statement No. 68, the net pension liability equals the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer as to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the School District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

As a result of implementing GASB Statement No. 68, the School District is reporting a net pension liability and deferred outflows/inflows of resources related to pension on the accrual basis of accounting. This implementation, along with other adjustments, also had the effect of restating net position at June 30, 2014, from \$25,854,863 to \$8,076,881.

The above table reflects a 15 percent increase in net position despite the following table demonstrating there was little change in overall revenues and expenditures from the prior fiscal year. As noted above, there was a sizable increase in current and other assets which resulted from two primary sources, an increase in cash and cash equivalents (revenues exceeding expenditures) and an increase in the receivable for property taxes (based on the assessed valuation of property). This increase is also reflected in the increase in unrestricted net position. The decrease in net capital assets and the investment in capital assets is generally due to annual depreciation. The decrease in other long-term liabilities is simply scheduled debt retirement.

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2 reflects the change in net position for fiscal year 2015 and fiscal year 2014.

Table 2
Change in Net Position

	Governmental Activities		Change
	2015	2014	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$4,033,106	\$3,914,233	\$118,873
Operating Grants, Contributions, and Interest	1,940,798	1,922,835	17,963
Capital Grants and Contributions	17,250	0	17,250
Total Program Revenues	<u>5,991,154</u>	<u>5,837,068</u>	<u>154,086</u>
General Revenues			
Property Taxes Levied for General Purposes	6,118,891	5,939,046	179,845
Property Taxes Levied for Classroom Facilities Purposes	98,464	96,131	2,333
Property Taxes Levied for Debt Service Purposes	1,156,411	1,128,574	27,837
Payment in Lieu of Taxes	336,572	278,248	58,324
Grants and Entitlements	7,024,460	6,406,998	617,462
Interest	10,591	3,777	6,814
Gifts and Donations	0	1,364	(1,364)
Other	171,933	112,267	59,666
Total General Revenues	<u>14,917,322</u>	<u>13,966,405</u>	<u>950,917</u>
Total Revenues	<u>20,908,476</u>	<u>19,803,473</u>	<u>1,105,003</u>
<u>Expenses</u>			
Instruction:			
Regular	9,426,929	9,164,711	(262,218)
Special	1,850,827	1,780,873	(69,954)
Vocational	270,384	264,427	(5,957)
Support Services:			
Pupils	624,056	896,135	272,079
Instructional Staff	703,347	585,411	(117,936)
Board of Education	24,705	73,484	48,779
Administration	1,432,490	1,313,922	(118,568)
Fiscal	460,011	445,853	(14,158)
Business	26,956	24,020	(2,936)
Operation and Maintenance of Plant	1,461,773	1,240,461	(221,312)
Pupil Transportation	1,146,294	1,043,257	(103,037)
Central	104,197	94,144	(10,053)

(continued)

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Change
	2015	2014	
Non-Instructional Services	\$1,022,268	\$1,000,217	(\$22,051)
Extracurricular Activities	566,333	559,841	(6,492)
Interest and Fiscal Charges	549,868	590,090	40,222
Total Expenses	<u>19,670,438</u>	<u>19,076,846</u>	<u>(593,592)</u>
Increase in Net Position	1,238,038	726,627	511,411
Net Position at Beginning of Year	8,076,881	n/a	
Net Position at End of Year	<u>\$9,314,919</u>	<u>\$8,076,881</u>	<u>\$1,238,038</u>

The information necessary to restate the fiscal year 2014 beginning balance and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$1,152,698 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the fiscal year 2015 statements report pension expense of \$827,041. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed.

Total 2015 Program Expenses under GASB Statement No. 68	\$19,670,438
Pension Expense under GASB Statement No. 68	(827,041)
2015 Contractually Required Contribution	<u>1,293,607</u>
Adjusted 2015 Program Expenses	20,137,004
Total 2014 Program Expenses under GASB Statement No. 27	<u>(19,076,846)</u>
Increase in Program Expenses not Related to Pension	<u>\$1,060,158</u>

Program revenues represented approximately 29 percent of total revenues for fiscal year 2015 (29 percent for fiscal year 2014) and are primarily represented by tuition and fees, charges for extracurricular activities, and restricted intergovernmental revenues. The most significant change was the increase in charges for services due to additional open enrollment. There was a 7 percent increase in general revenues from the prior fiscal year. The increase in property tax revenues is related to the increase in assessed valuation and the increase in unrestricted grants and entitlements is additional State foundation resources (based on the funding formula). Overall, revenues increased approximately 6 percent.

Overall expenses also increased 6 percent from the prior fiscal year. Increases are generally related to staffing changes, increases in salaries and benefits, and higher utility costs. The major program expense for governmental activities, as expected, is for direct instruction costs, which accounts 59 percent of all governmental activities expenses. The instruction category, however, does not include all activities associated with educating students such as the pupils, instructional staff, and pupil transportation costs have a significant role in delivering education.

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction:				
Regular	\$9,426,929	\$9,164,711	\$6,435,269	\$6,277,018
Special	1,850,827	1,780,873	271,592	181,112
Vocational	270,384	264,427	143,326	172,972
Support Services:				
Pupils	624,056	896,135	622,108	894,588
Instructional Staff	703,347	585,411	703,347	585,411
Board of Education	24,705	73,484	24,705	73,484
Administration	1,432,490	1,313,922	1,432,490	1,313,922
Fiscal	460,011	445,853	442,011	428,353
Business	26,956	24,020	26,956	24,020
Operation and Maintenance of Plant	1,461,773	1,240,461	1,461,773	1,240,461
Pupil Transportation	1,146,294	1,043,257	1,125,887	1,024,440
Central	104,197	94,144	96,997	86,944
Non-Instructional Services	1,022,268	1,000,217	130,131	105,100
Extracurricular Activities	566,333	559,841	212,824	241,863
Interest and Fiscal Charges	549,868	590,090	549,868	590,090
Total Expenses	<u>\$19,670,438</u>	<u>\$19,076,846</u>	<u>\$13,679,284</u>	<u>\$13,239,778</u>

As noted in the above table, only a few of the School District's programs receive a significant amount of program revenues to offset their costs. Again in fiscal year 2015, one of these programs was special instruction; 85 percent of program costs were provided for through program revenues, much of this in the form of operating grants restricted for special instruction purposes. Over 87 percent of the non-instructional services program is provided for through program revenues, largely cafeteria sales, state and federal subsidies, and donated commodities for food service operations as well as charges for the afterschool child care program. Approximately 62 percent of extracurricular activities expenses are covered by program revenues. This includes participation fees, and gate receipts for athletic and music events.

Governmental Funds Financial Analysis

The School District's governmental funds are accounted for using the modified accrual basis of accounting. For the General Fund, there was a 38 percent increase in fund balance. Revenues increased 7 percent due to the increase in property taxes, State foundation resources, and open enrollment tuition mentioned previously. Expenditures only increased 3 percent.

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

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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 2015, the School District amended its General Fund budget as needed. For revenues, the change from the original budget to the final budget was largely due to a change in the estimated property taxes. Changes from the final budget to actual revenues were not significant. For expenditures, there was very little change from the original budget to the final budget and changes from the final budget to actual expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$35,180,078 invested in capital assets (net of accumulated depreciation). Additions and disposals were generally vehicles and equipment. 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, 2015, included School Improvement general obligation bonds, in the amount of \$11,226,655. The School District's long-term obligations also include the net pension liability, compensated absences, and capital leases. For further information regarding the School District's long-term obligations, refer to Note 17 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 and realignment, the School District was able to add over \$1 million to the General Fund's fund balance at the end of fiscal year 2015. With prudent action on the part of the School District and the benefits of an improving economy statewide, a positive fund balance is projected through fiscal year 2020.

The new State budget shows increased revenue for the School District for fiscal years 2016 and 2017. The School District is planning to purchase new buses, upgrade security cameras, and repair and reseal the track. Additional course offerings at the high school are also being considered as cuts made in previous years are still impacting student schedules.

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

Sandra Griscom became the new treasurer beginning January 1, 2015.

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Contacting the School District's Financial Management

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

THIS PAGE INTENTIONALLY LEFT BLANK

River Valley Local School District
Statement of Net Position
June 30, 2015

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,756,924
Cash and Cash Equivalents with Fiscal Agent	857,430
Accounts Receivable	58,012
Intergovernmental Receivable	120,767
Materials and Supplies Inventory	40,978
Inventory Held for Resale	9,552
Property Taxes Receivable	7,265,581
Payment in Lieu of Taxes Receivable	300,054
Nondepreciable Capital Assets	971,089
Depreciable Capital Assets, Net	34,208,989
Total Assets	48,589,376
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	367,906
Pension	1,474,825
Total Deferred Outflows of Resources	1,842,731
<u>Liabilities:</u>	
Accounts Payable	124,162
Accrued Wages and Benefits Payable	1,307,452
Matured Compensated Absences Payable	17,207
Intergovernmental Payable	361,287
Accrued Interest Payable	68,464
Unearned Revenue	4,569
Claims Payable	176,263
Long-Term Liabilities:	
Due Within One Year	1,239,324
Due in More Than One Year	
Net Pension Liability	19,270,875
Other Amounts Due in More Than One Year	10,890,211
Total Liabilities	33,459,814
<u>Deferred Inflows of Resources:</u>	
Property Taxes	4,028,045
Payment in Lieu of Taxes	151,718
Pension	3,477,611
Total Deferred Inflows of Resources	7,657,374
<u>Net Position:</u>	
Net Investment in Capital Assets	24,775,213
Restricted For:	
Debt Service	1,160,717
Capital Projects	20,204
Classroom Facilities Maintenance	603,924
Other Purposes	420,907
Unrestricted (Deficit)	(17,666,046)
Total Net Position	\$9,314,919

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$9,426,929	\$2,991,422	\$238	\$0
Special	1,850,827	259,924	1,319,311	0
Vocational	270,384	0	127,058	0
Support Services:				
Pupils	624,056	0	1,948	0
Instructional Staff	703,347	0	0	0
Board of Education	24,705	0	0	0
Administration	1,432,490	0	0	0
Fiscal	460,011	18,000	0	0
Business	26,956	0	0	0
Operation and Maintenance of Plant	1,461,773	0	0	0
Pupil Transportation	1,146,294	0	20,407	0
Central	104,197	0	7,200	0
Non-Instructional Services	1,022,268	489,298	402,839	0
Extracurricular Activities	566,333	274,462	61,797	17,250
Interest and Fiscal Charges	549,868	0	0	0
Total Governmental Activities	<u>\$19,670,438</u>	<u>\$4,033,106</u>	<u>\$1,940,798</u>	<u>\$17,250</u>

General Revenues:

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

Change in Net Position

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

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental
Activities

(\$6,435,269)
(271,592)
(143,326)

(622,108)
(703,347)
(24,705)
(1,432,490)
(442,011)
(26,956)
(1,461,773)
(1,125,887)
(96,997)
(130,131)
(212,824)
(549,868)
(13,679,284)

6,118,891
98,464
1,156,411
336,572
7,024,460
10,591
171,933
14,917,322

1,238,038

8,076,881
\$9,314,919

River Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,227,917	\$722,072	\$806,935	\$4,756,924
Accounts Receivable	17,212	0	40,800	58,012
Intergovernmental Receivable	41,744	0	79,023	120,767
Interfund Receivable	238	0	278,796	279,034
Materials and Supplies Inventory	38,748	0	2,230	40,978
Inventory Held for Resale	0	0	9,552	9,552
Property Taxes Receivable	5,980,174	1,185,524	99,883	7,265,581
Payment in Lieu of Taxes Receivable	300,054	0	0	300,054
Total Assets	<u>\$9,606,087</u>	<u>\$1,907,596</u>	<u>\$1,317,219</u>	<u>\$12,830,902</u>
<u>Liabilities:</u>				
Accounts Payable	\$92,310	\$0	\$31,852	\$124,162
Accrued Wages and Benefits Payable	1,185,778	0	121,674	1,307,452
Matured Compensated Absences Payable	17,207	0	0	17,207
Intergovernmental Payable	316,622	0	44,665	361,287
Interfund Payable	278,796	0	238	279,034
Unearned Revenue	0	0	4,569	4,569
Total Liabilities	<u>1,890,713</u>	<u>0</u>	<u>202,998</u>	<u>2,093,711</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	3,292,973	678,415	56,657	4,028,045
Payment in Lieu of Taxes	151,718	0	0	151,718
Unavailable Revenue	424,132	78,517	96,988	599,637
Total Deferred Inflows of Resources	<u>3,868,823</u>	<u>756,932</u>	<u>153,645</u>	<u>4,779,400</u>
<u>Fund Balances:</u>				
Nonspendable	38,748	0	2,230	40,978
Restricted	0	1,150,664	989,691	2,140,355
Assigned	665,460	0	0	665,460
Unassigned (Deficit)	3,142,343	0	(31,345)	3,110,998
Total Fund Balances	<u>3,846,551</u>	<u>1,150,664</u>	<u>960,576</u>	<u>5,957,791</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$9,606,087</u>	<u>\$1,907,596</u>	<u>\$1,317,219</u>	<u>\$12,830,902</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balances		\$5,957,791
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		35,180,078
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	40,231	
Intergovernmental Receivable	62,986	
Delinquent Property Taxes Receivable	496,420	
		599,637
Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.		367,906
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(68,464)	
School Improvement Bonds Payable	(11,226,655)	
Compensated Absences Payable	(734,078)	
Capital Leases Payable	(168,802)	
		(12,197,999)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.		
Deferred Outflows - Pension	1,474,825	
Deferred Inflows - Pension	(3,477,611)	
Net Pension Liability	(19,270,875)	
		(21,273,661)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		681,167
Net Position of Governmental Activities		\$9,314,919

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$6,154,947	\$1,163,273	\$99,110	\$7,417,330
Payment in Lieu of Taxes	336,572	0	0	336,572
Intergovernmental	7,306,369	331,520	1,412,360	9,050,249
Interest	3,048	0	283	3,331
Tuition and Fees	3,281,263	0	0	3,281,263
Extracurricular Activities	0	0	312,198	312,198
Charges for Services	35,500	0	483,695	519,195
Gifts and Donations	0	0	19,198	19,198
Other	155,737	0	20,671	176,408
Total Revenues	<u>17,273,436</u>	<u>1,494,793</u>	<u>2,347,515</u>	<u>21,115,744</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,874,811	0	166,088	9,040,899
Special	1,504,251	0	353,336	1,857,587
Vocational	252,236	0	9,824	262,060
Support Services:				
Pupils	536,564	0	87,278	623,842
Instructional Staff	474,510	0	200,933	675,443
Board of Education	24,705	0	0	24,705
Administration	1,353,863	0	70,738	1,424,601
Fiscal	451,148	28,994	2,446	482,588
Business	26,956	0	0	26,956
Operation and Maintenance of Plant	1,403,394	0	30,272	1,433,666
Pupil Transportation	1,302,253	0	4,436	1,306,689
Central	104,020	0	0	104,020
Non-Instructional Services	0	0	951,936	951,936
Extracurricular Activities	14,014	0	375,465	389,479
Capital Outlay	0	0	181,606	181,606
Debt Service:				
Principal Retirement	102,549	1,010,000	0	1,112,549
Interest and Fiscal Charges	1,628	432,094	0	433,722
Total Expenditures	<u>16,426,902</u>	<u>1,471,088</u>	<u>2,434,358</u>	<u>20,332,348</u>
Excess of Revenues Over (Under) Expenditures	<u>846,534</u>	<u>23,705</u>	<u>(86,843)</u>	<u>783,396</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	7,000	0	0	7,000
Inception of Capital Lease	245,784	0	0	245,784
Transfers In	0	0	45,000	45,000
Transfers Out	(45,000)	0	0	(45,000)
Total Other Financing Sources (Uses)	<u>207,784</u>	<u>0</u>	<u>45,000</u>	<u>252,784</u>
Changes in Fund Balances	1,054,318	23,705	(41,843)	1,036,180
Fund Balances at Beginning of Year - Restated (Note 3)	2,792,233	1,126,959	1,002,419	4,921,611
Fund Balances at End of Year	<u>\$3,846,551</u>	<u>\$1,150,664</u>	<u>\$960,576</u>	<u>\$5,957,791</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Changes in Fund Balances - Total Governmental Funds \$1,036,180

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	380,908	
Depreciation	<u>(910,517)</u>	(529,609)

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

Proceeds from the Sale of Capital Assets	(7,000)	
Gain on Disposal of Capital Assets	7,000	
Loss on Disposal of Capital Assets	<u>(982)</u>	(982)

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

Delinquent Property Taxes	(43,564)	
Intergovernmental	(143,519)	
Tuition and Fees	(29,917)	
Extracurricular Activities	7,086	
Charges for Services	<u>(11,897)</u>	(221,811)

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

School Improvement Bonds	1,010,000	
Capital Leases	<u>102,549</u>	1,112,549

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

(245,784)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(28,096)

(continued)

River Valley Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2015
 (continued)

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

Accrued Interest Payable	\$7,103	
Annual Accretion on Capital Appreciation Bonds	(125,069)	
Amortization of Premium	7,134	
Amortization of Deferred Charge on Refunding	(5,314)	(116,146)

Except for amounts reported as deferred outflow/inflows, changes in net position liability are reported as pension expense on the statement of activities. (827,041)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows. 1,293,607

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	7,543	
Allocated to Activities	(242,372)	(234,829)

Change in Net Position of Governmental Activities \$1,238,038

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$5,390,822	\$6,030,879	\$6,133,350	\$102,471
Payment in Lieu of Taxes	143,000	142,000	318,091	176,091
Intergovernmental	7,263,063	7,234,555	7,305,243	70,688
Interest	3,000	3,000	3,048	48
Tuition and Fees	3,199,400	3,199,400	3,281,116	81,716
Charge for Services	17,500	17,500	17,500	0
Other	85,413	82,788	107,474	24,686
Total Revenues	<u>16,102,198</u>	<u>16,710,122</u>	<u>17,165,822</u>	<u>455,700</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,222,493	9,026,085	8,848,671	177,414
Special	1,556,924	1,553,216	1,482,704	70,512
Vocational	304,217	304,119	272,684	31,435
Support Services:				
Pupils	523,848	560,951	524,466	36,485
Instructional Staff	487,091	487,709	477,114	10,595
Board of Education	28,925	29,437	24,705	4,732
Administration	1,423,916	1,418,894	1,359,264	59,630
Fiscal	420,469	472,208	455,620	16,588
Business	52,900	56,831	49,677	7,154
Operation and Maintenance of Plant	1,423,047	1,508,976	1,460,077	48,899
Pupil Transportation	1,204,407	1,212,963	1,161,328	51,635
Central	99,612	113,384	105,802	7,582
Extracurricular Activities	13,829	16,655	14,014	2,641
Uniform School Supplies				
Regular	0	1,593	1,593	0
Public School Support				
Pupils	60,771	60,271	55,155	5,116
Incentives				
Pupils	13	13	0	13
Artsonia/Kalb				
Pupils	43	43	0	43
Rotary				
Pupils	300	300	0	300
Total Expenditures	<u>16,822,805</u>	<u>16,823,648</u>	<u>16,292,874</u>	<u>530,774</u>
Excess of Revenues Over (Under) Expenditures	<u>(720,607)</u>	<u>(113,526)</u>	<u>872,948</u>	<u>986,474</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	0	46,061	46,061
Sale of Capital Assets	0	0	7,000	7,000
Transfers Out	(45,000)	(45,000)	(45,000)	0
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>8,061</u>	<u>53,061</u>
Changes in Fund Balance	(765,607)	(158,526)	881,009	1,039,535
Fund Balance at Beginning of Year	2,045,952	2,045,952	2,045,952	0
Prior Year Encumbrances Appropriated	104,470	104,470	104,470	0
Fund Balance at End of Year	<u>\$1,384,815</u>	<u>\$1,991,896</u>	<u>\$3,031,431</u>	<u>\$1,039,535</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2015

	<u>Governmental Activity Internal Service</u>
<u>Current Assets:</u>	
Cash and Cash Equivalents with Fiscal Agent	\$857,430
<u>Current Liabilities:</u>	
Claims Payable	<u>176,263</u>
<u>Net Position:</u>	
Unrestricted	<u><u>\$681,167</u></u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Governmental Activity
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$2,078,016
<u>Operating Expenses:</u>	
Purchased Services	597,335
Claims	1,723,053
Total Operating Expenses	2,320,388
Operating Loss	(242,372)
<u>Non-Operating Revenues:</u>	
Interest Revenue	7,543
Changes in Net Position	(234,829)
Net Position at Beginning of Year	915,996
Net Position at End of Year	\$681,167

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	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	\$2,078,016
Cash Payments for Goods and Services	(597,335)
Cash Payments for Claims	(1,630,426)
Net Cash Used for Operating Activities	(149,745)
<u>Cash Flows from Investing Activities:</u>	
Cash Received from Interest	7,543
Net Decrease in Cash and Cash Equivalents	(142,202)
Cash and Cash Equivalents at Beginning of Year	999,632
Cash and Cash Equivalents at End of Year	\$857,430
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$242,372)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Changes in Assets and Liabilities:	
Increase in Claims Payable	92,627
Net Cash Used for Operating Activities	(\$149,745)
See Accompanying Notes to the Basic Financial Statements	

River Valley Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,250	\$86,703
<u>Liabilities:</u>		
Due to Students	0	\$82,462
Undistributed Assets	0	4,241
Total Liabilities	0	\$86,703
<u>Net Position:</u>		
Held in Trust for Scholarships	\$1,250	

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

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

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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. It is staffed by sixty-nine classified employees, one hundred fourteen certified teaching personnel, and nine administrative employees who provide services to 1,941 students and other community members. The School District currently operates four instructional buildings, an administration building, and a bus garage.

Reporting Entity

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

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

The School District participates in three jointly governed organizations and three insurance pools. These organizations are the Metropolitan Educational Technology Association, the Tri-Rivers Joint Vocational School, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, the Ohio Schools Council Workers’ Compensation Group Rating Plan, and the Jefferson Health Plan. These organizations are presented in Notes 22 and 23 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of River Valley Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District does not have any business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses and is presented as governmental activities on the statement of net position.

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

Fund Financial Statements

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

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

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 outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

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

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

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

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources includes a deferred charge on refunding reported on the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows of resources are also reported on the government-wide statement of net position for pension and explained in Note 14 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources consists of property taxes, payment in lieu of taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 14 to the basic financial statements.

Expenses/Expenditures

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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

F. Cash and Investments

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

Cash and cash equivalents held for the School District by the Jefferson Health Plan are reflected as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2015, investments consisted of STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2015.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2015 was \$3,048, which includes \$939 assigned from other School District funds.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

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

G. Inventory

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

H. Capital Assets

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

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

All capital assets, except land, 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	10 - 75 years
Furniture, Fixtures, and Equipment	5 - 45 years
Vehicles	10 years

I. Deferred Charge on Refunding

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

J. Interfund Assets/Liabilities

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

Note 2 - Summary of Significant Accounting Policies (continued)

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Unamortized Premiums

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

N. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants.

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

O. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. Fund balance policy of the Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education has also assigned amounts to cover a gap between estimated resources and appropriations in the fiscal year 2016 budget.

Note 2 - Summary of Significant Accounting Policies (continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

P. Operating Revenues and Expenses

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

Q. Interfund Transactions

Transfers 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

S. Estimates

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

Note 3 - Change in Accounting Principle and Restatement of Fund Balance and Net Position

For fiscal year 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows and deferred inflows of resources, and pension expenses/expenditures.

In prior fiscal years, the School District reported the Food Service and School Aged Child Care funds as enterprise funds. For fiscal year 2015, these funds have been reclassified as special revenue funds. The reclassification had the following effect on fund balance as previously reported.

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2014	\$2,792,233	\$1,126,959	\$693,777	\$4,612,969
Change in Fund Structure	0	0	308,642	308,642
Restated Fund Balance at June 30, 2014	<u>\$2,792,233</u>	<u>\$1,126,959</u>	<u>\$1,002,419</u>	<u>\$4,921,611</u>

The implementation of GASB Statement No. 68 as well as the fund reclassification had the following effect on net position as previously reported.

	Total Governmental Activities	Total Business-Type Activity
Net Position June 30, 2014	\$25,854,863	\$3,962,245
Change in Fund Structure	3,962,245	(3,962,245)
Net Pension Liability	(22,892,925)	0
Deferred Outflows - Payments Subsequent to Measurement Date	1,152,698	0
Restated Net Position June 30, 2014	<u>\$8,076,881</u>	<u>\$0</u>

Note 3 - Change in Accounting Principle and Restatement of Fund Balance and Net Position

(continued)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred outflows or deferred inflows of resources related to pension as the information needed to generate these restatements was not available.

Note 4 - Accountability

At June 30, 2015, the School Aged Child Care, CTAE, Title VI-B, and Improving Teacher Quality special revenue funds had deficit fund balances, in the amount of \$29,798, \$107, \$1,362, and \$78, 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.

Note 5 - Budgetary Basis of Accounting

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

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

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

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 5 - Budgetary Basis of Accounting (continued)

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

	General Fund
GAAP Basis	\$1,054,318
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals:	
Accrued FY 2014, Received in Cash FY 2015	2,408,808
Accrued FY 2015, Not Yet Received in Cash	(2,470,361)
Expenditure Accruals:	
Accrued FY 2014, Paid in Cash FY 2015	(1,518,457)
Accrued FY 2015, Not Yet Paid in Cash	1,611,917
Materials and Supplies Inventory	(9,925)
Excess of Revenues under Expenditures into Financial Statement Fund Types	1,433
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(196,724)
Budget Basis	\$881,009

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.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 - Deposits and Investments (continued)

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

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

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

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.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2015, the fair value of funds on deposit with STAR Ohio was \$4,493,604. The School District's investments in STAR Ohio had an average maturity of 53.4 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 - Receivables

Receivables at June 30, 2015, consisted of accounts (student fees and billings for user charged services), intergovernmental, interfund, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except interfund and property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Fund	
General Fund	
North Central Ohio ESC	\$22,618
Department of Job and Family Services	1,126
Ridgedale Local School District	18,000
Total General Fund	41,744
Other Governmental Funds	
Classroom Facilities	1,179
CTAE	1,609
Title VI-B	26,608
Limited English Proficiency	238
Title I	46,378
Improving Teacher Quality	3,011
Total Other Governmental Funds	79,023
Total Governmental Activities	\$120,767

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Marion and Morrow Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2015, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2015, was \$2,275,906 in the General Fund, \$36,618 in the Classroom Facilities Maintenance special revenue fund, and \$428,592 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2014, was \$2,254,309 in the General Fund, \$36,656 in the Classroom Facilities Maintenance special revenue fund, and \$426,763 in the Bond Retirement debt service fund.

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

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 8 - Property Taxes (continued)

The assessed values upon which fiscal year 2015 taxes were collected are:

	<u>2014 Second- Half Collections</u>		<u>2015 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$212,125,510	74.26%	\$215,693,590	74.57%
Industrial/Commercial	63,800,890	22.34	62,792,140	21.71
Public Utility	<u>9,722,740</u>	<u>3.40</u>	<u>10,754,620</u>	<u>3.72</u>
Total Assessed Value	<u>\$285,649,140</u>	<u>100.00%</u>	<u>\$289,240,350</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.62		\$38.62	

Note 9 - Payment in Lieu of Taxes

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

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance at 6/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/15</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	<u>\$971,089</u>	<u>\$0</u>	<u>\$0</u>	<u>\$971,089</u>
Depreciable Capital Assets				
Land Improvements	978,961	0	0	978,961
Buildings and Building Improvements	39,819,471	0	0	39,819,471
Furniture, Fixtures, and Equipment	2,335,668	105,124	(10,708)	2,430,084
Vehicles	<u>1,417,484</u>	<u>275,784</u>	<u>(389,112)</u>	<u>1,304,156</u>
Total Depreciable Capital Assets	<u>44,551,584</u>	<u>380,908</u>	<u>(399,820)</u>	<u>44,532,672</u>

(continued)

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 - Capital Assets (continued)

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$333,212)	(\$37,002)	\$0	(\$370,214)
Buildings and Building Improvements	(7,046,065)	(676,189)	0	(7,722,254)
Furniture, Fixtures, and Equipment	(1,370,125)	(107,728)	9,726	(1,468,127)
Vehicles	(1,062,602)	(89,598)	389,112	(763,088)
Total Accumulated Depreciation	<u>(9,812,004)</u>	<u>(910,517)</u>	<u>398,838</u>	<u>(10,323,683)</u>
Depreciable Capital Assets, Net	<u>34,739,580</u>	<u>(529,609)</u>	<u>(982)</u>	<u>34,208,989</u>
Governmental Activities Capital Assets, Net	<u>\$35,710,669</u>	<u>(\$529,609)</u>	<u>(\$982)</u>	<u>\$35,180,078</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$384,320
Special	29,120
Vocational	14,655
Support Services:	
Pupils	739
Instructional Staff	36,906
Administration	43,765
Fiscal	1,158
Operation and Maintenance of Plant	42,130
Pupil Transportation	103,533
Central	222
Non-Instructional Services	76,195
Extracurricular Activities	177,774
Total Depreciation Expense	<u>\$910,517</u>

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 11 - Interfund Assets/Liabilities

At June 30, 2015, the General Fund had an interfund receivable, in the amount of \$238, from other governmental funds for loans made to those funds. Other governmental funds had an interfund receivable, in the amount of \$278,796, from the General Fund for the House Bill 264 Energy Project. Interfund receivables, in the amount of \$238 in the General Fund and \$25,000 in other governmental funds are expected to be repaid within one year.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$5,000,000
General Aggregate	7,000,000
Building and Contents	60,343,081
Vehicle Liability	5,000,000

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

For the fiscal year 2015, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Ohio Schools Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 12 - Risk Management (continued)

The School District offers medical insurance to all employees through a self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The internal service fund covers claims up to \$500,000 per individual and \$1,000,000 total aggregate annually. Settled claims have not exceeded this coverage for the past three years. Stop loss insurance covers claims in excess of these limits. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2015, was estimated by the third party administrator at \$176,263.

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
2015	\$83,636	\$1,723,053	\$1,630,426	\$176,263
2014	50,129	1,587,313	1,553,806	83,636

Note 13 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2016 are as follows:

General Fund	\$196,724
Other Governmental Funds	24,329
Total	\$221,053

Note 14 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

Note 14 - Defined Benefit Pension Plans (continued)

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services, and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 14 - Defined Benefit Pension Plans (continued)

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service over thirty years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining .82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$307,718 for fiscal year 2015. Of this amount, \$54,600 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

Note 14 - Defined Benefit Pension Plans (continued)

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307. The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 14 - Defined Benefit Pension Plans (continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1 percent on July 1, 2014, and will be increased 1 percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$985,889 for fiscal year 2015. Of this amount, \$163,876 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,857,704	\$15,413,171	\$19,270,875
Proportion of the Net Pension Liability	.07622500%	.06336751%	
Pension Expense	\$226,853	\$600,188	\$827,041

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$32,833	\$148,385	\$181,218
School District contributions subsequent to the measurement date	307,718	985,889	1,293,607
Total Deferred Outflows of Resources	<u>\$340,551</u>	<u>\$1,134,274</u>	<u>\$1,474,825</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$626,116</u>	<u>\$2,851,495</u>	<u>\$3,477,611</u>

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 14 - Defined Benefit Pension Plans (continued)

\$1,293,607 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	SERS	STRS	Total
2016	(\$148,238)	(\$675,777)	(\$824,015)
2017	(148,238)	(675,777)	(824,015)
2018	(148,238)	(675,777)	(824,015)
2019	(148,569)	(675,779)	(824,348)
Total	<u>(\$593,283)</u>	<u>(\$2,703,110)</u>	<u>(\$3,296,393)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2014, are presented below.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 14 - Defined Benefit Pension Plans (continued)

For postretirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00%</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 14 - Defined Benefit Pension Plans (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$5,503,797	\$3,857,704	\$2,473,197

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75 percent
Projected Salary Increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males' ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back for age ninety and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study effective July 1, 2012.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 14 - Defined Benefit Pension Plans (continued)

The ten year expected real rate of return on pension plan investments was determined by the STRS investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$22,065,635	\$15,413,171	\$9,787,426

Note 15 - Postemployment Benefits

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, .82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$40,698.

The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 was \$19,056, \$2,861, and \$3,437, respectively. For fiscal year 2015, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System (STRS)

Plan Description - The School District participates in the cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Note 15 - Postemployment Benefits (continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the health care plan. All benefit recipients for the most recent year pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$65,516, and \$63,499 respectively. The full amount has been contributed for all three fiscal years.

Note 16 - 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, Vision Service Plan, and the Metropolitan Educational Council, respectively.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2008 School Improvement Refunding Bonds					
Serial Bonds - 4%	\$8,485,000	\$0	\$125,000	\$8,360,000	\$1,100,000
Capital Appreciation Bonds	295,000	0	0	295,000	0
Accretion on Capital Appreciation Bonds	497,617	125,069	0	622,686	0
Premium	501,103	0	7,134	493,969	0
FY2002 School Improvement Bonds 2.2-5.25%	2,340,000	0	885,000	1,455,000	0
Total General Obligation Bonds	<u>12,118,720</u>	<u>125,069</u>	<u>1,017,134</u>	<u>11,226,655</u>	<u>1,100,000</u>
Net Pension Liability					
SERS	4,532,856	0	675,152	3,857,704	0
STRS	<u>18,360,069</u>	<u>0</u>	<u>2,946,898</u>	<u>15,413,171</u>	<u>0</u>
Total Net Pension Liability	22,892,925	0	3,622,050	19,270,875	
Compensated Absences Payable	705,982	83,783	55,687	734,078	52,599
Capital Leases Payable	<u>25,567</u>	<u>245,784</u>	<u>102,549</u>	<u>168,802</u>	<u>86,725</u>
Total Governmental Activities Long -Term Obligations	<u>\$35,743,194</u>	<u>\$454,636</u>	<u>\$4,797,420</u>	<u>\$31,400,410</u>	<u>\$1,239,324</u>

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on November 1, 2016, in the amount of \$1,115,000. For fiscal year 2015, \$125,069 was accreted on the capital appreciation bonds for a total bond value of \$917,686 at fiscal year end.

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

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 17 - Long-Term Obligations (continued)

FY2002 School Improvement Bonds - On October 21, 2001, the School District issued bonds, in the original 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.

The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 14 to the basic financial statements.

Compensated absences will be paid from the General Fund, and the Food Service and School Age Child Care special revenue funds.

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

The School District's overall debt margin was \$16,133,153 with an unvoted debt margin of \$278,805 at June 30, 2015.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2015, were as follows:

Fiscal Year Ending	General Obligation Bonds		Interest	Total
	Serial	Capital Appreciation		
2016	\$1,100,000	\$0	\$388,788	\$1,488,788
2017	0	295,000	1,186,788	1,481,788
2018	1,080,000	0	345,188	1,425,188
2019	1,130,000	0	300,988	1,430,988
2020	1,180,000	0	254,788	1,434,788
2021-2024	5,325,000	0	503,958	5,828,958
	<u>\$9,815,000</u>	<u>\$295,000</u>	<u>\$2,980,498</u>	<u>\$13,090,498</u>

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 18 - Capital Leases - Lessee Disclosure

The School District has entered into capital leases for buses and copiers. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2015 were \$102,549.

	Governmental Activities
Property under Capital Lease	\$300,308
Less Accumulated Depreciation	(40,705)
Total June 30, 2015	\$259,603

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014.

Year	Governmental Activities	
	Principal	Interest
2016	\$86,725	\$4,065
2017	82,077	2,019
	\$168,802	\$6,084

Note 19 - Fund Balance

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

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$38,748	0	\$2,230	\$40,978
Restricted for:				
Athletics and Music	0	0	101,306	101,306
Debt Retirement	0	1,150,664	0	1,150,664
Food Service Operations	0	0	259,313	259,313
Permanent Improvements	0	0	20,204	20,204

(continued)

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 19 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for:				
Regular Instruction	\$0	\$0	\$2,873	\$2,873
School Facilities Maintenance	0	0	597,316	597,316
Special Instruction	0	0	8,129	8,129
Vocational Instruction	0	0	550	550
Total Restricted	0	1,150,664	989,691	2,140,355
Assigned for:				
Educational Activities	41,315	0	0	41,315
Projected Budget Shortage	521,097	0	0	521,097
Unpaid Obligations	103,048	0	0	103,048
Total Assigned	665,460	0	0	665,460
Unassigned (Deficit)	3,142,343	0	(31,345)	3,110,998
Total Fund Balance	\$3,846,551	\$1,150,664	\$960,576	\$5,957,791

Note 20 - Set Asides

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2015.

	<u>Capital Improvements</u>
Balance June 30, 2014	\$0
Current Year Set Aside Requirement	347,342
Current Year Offsets	(347,342)
Balance June 30, 2015	\$0

Note 21 - Interfund Transfers

During fiscal year 2015, the General Fund made transfers to other governmental funds, in the amount of \$45,000, to subsidize operations in other funds.

Note 22 - Jointly Governed Organizations

A. Metropolitan Educational Technology Association

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an association of public school districts within the boundaries of Athens, Crawford, Delaware, Erie, Knox, Licking, Marion, Morrow, Muskingum, Union, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of META 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 2015, the School District paid \$42,764 to META for various services. Financial information can be obtained from the Metropolitan Educational Technology Association, 100 Executive Drive, Marion, Ohio 43302.

B. Tri-Rivers Joint Vocational School

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

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio, 45822.

Note 23 - Insurance Pools

A. Ohio School Plan

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

B. Ohio Schools Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Schools Council Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Schools Council (OSC) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a nine member Board of Directors consisting of superintendents from the member districts. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Note 23 - Insurance Pools (continued)

C. Jefferson Health Plan

The School District participates in the Jefferson Health Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible limit and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan's participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

Note 24 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 24 - Contingencies (continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

C. Litigation

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

THIS PAGE INTENTIONALLY LEFT BLANK

River Valley Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.07622500%	0.07622500%
School District's Proportionate Share of the Net Pension Liability	\$3,857,704	\$4,532,856
School District's Covered Employee Payroll	\$2,043,580	\$2,147,931
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	188.77%	211.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

River Valley Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.06336751%	0.06336751%
School District's Proportionate Share of the Net Pension Liability	\$15,413,171	\$18,360,069
School District's Covered Employee Payroll	\$6,492,123	\$6,292,438
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	237.41%	291.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

THIS PAGE INTENTIONALLY LEFT BLANK

River Valley Local School District
 Required Supplementary Information
 Schedule of the School District's Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$307,718	\$308,722	\$281,379	\$268,236
Contributions in Relation to the Contractually Required Contribution	<u>(307,718)</u>	<u>(308,722)</u>	<u>(281,379)</u>	<u>(268,236)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Employee Payroll	\$2,334,736	\$2,043,580	\$2,147,931	\$2,112,094
Contributions as a Percentage of Covered Employee Payroll	13.18%	15.11%	13.10%	12.70%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$264,983	\$272,144	\$193,421	\$183,871	\$189,489	\$170,968
<u>(264,983)</u>	<u>(272,144)</u>	<u>(193,421)</u>	<u>(183,871)</u>	<u>(189,489)</u>	<u>(170,968)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,243,717	\$2,129,452	\$2,127,844	\$2,007,325	\$1,774,242	\$1,615,955
11.81%	12.78%	9.09%	9.16%	10.68%	10.58%

River Valley Local School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$985,889	\$843,976	\$818,017	\$842,068
Contributions in Relation to the Contractually Required Contribution	<u>(985,889)</u>	<u>(843,976)</u>	<u>(818,017)</u>	<u>(842,068)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Employee Payroll	\$7,042,064	\$6,492,123	\$6,292,438	\$6,477,446
Contributions as a Percentage of Covered Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$916,632	\$962,178	\$918,469	\$894,666	\$848,412	\$799,029
<u>(916,632)</u>	<u>(962,178)</u>	<u>(918,469)</u>	<u>(894,666)</u>	<u>(848,412)</u>	<u>(799,029)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,051,015	\$7,401,369	\$7,065,146	\$6,882,046	\$6,526,246	\$6,146,377
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

THIS PAGE INTENTIONALLY LEFT BLANK

RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 22,635	\$ 22,635
Cash Assistance:			
School Breakfast Program	10.553	74,055	74,055
National School Lunch Program	10.555	298,541	298,541
Total Child Nutrition Cluster		<u>395,231</u>	<u>395,231</u>
Total U.S. Department of Agriculture		<u>395,231</u>	<u>395,231</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education - Grants to States	84.027	439,159	405,754
ARRA-State Fiscal Stabilization Fund - Race to the Top Incentive Grants, Recovery Act	84.395	-	180
Title I Grants to Local Educational Agencies	84.010	440,456	396,656
Improving Teacher Quality State Grants	84.367	55,733	55,114
<i>Passed Through North Central Ohio Educational Service Center</i>			
English Language Acquisition State Grants	84.365	649	238
Total U.S. Department of Education		<u>935,997</u>	<u>857,942</u>
Total Federal Awards Receipts and Expenditures		<u>\$ 1,331,228</u>	<u>\$ 1,253,173</u>

The accompanying notes are an integral part of this schedule.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio, (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 30, 2016, wherein we noted the School District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We also noted the fiscal year 2014 financial statements have been restated due to a change in fund structure.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 30, 2016



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited River Valley Local School District's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of River Valley Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Special Education-Grants to States / Title I Grants to Local Educational Agencies

As described in finding 2015-001 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applicable to its Special Education-Grants to States and Title I Grants to Local Educational Agencies major federal programs. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

Qualified Opinion on Special Education-Grants to States / Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education-Grants to States / Title I Grants to Local Educational Agencies* paragraph, the River Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education-Grants to States and Title I Grants to Local Educational Agencies federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2015-001 and 2015-002 to be material weaknesses.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 30, 2016

THIS PAGE INTENTIONALLY LEFT BLANK

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2015-001
CFDA Title and Number	CFDA #84.010 – Title I Grants to Local Educational Agencies CFDA #84.027 – Special Education-Grants to States
Federal Award Year	2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Noncompliance / Material Weakness – Cash Management

34 C.F.R. § 80.21 (c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. Additionally, 34 C.F.R. § 80.20(b)(7) states that when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.

Furthermore, Ohio Department of Education's (ODE's) CCIP Note #284 states that all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR 80.21). To receive approval consideration, cash requests must be made for immediate needs for the month requested. ODE's Project Cash Request Instructions state payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 C.F.R. Part 205, the time lapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds must be expended within the period of time for which cash is requested.

During fiscal year 2015, the School District failed to spend six of its nine Special Education-Grants to States advances and three of fourteen Title I Grants to Local Educational Agencies advances within thirty days.

Failure to spend advanced monies within the required amount of time could result in the School District earning interest on advances of funds, which would need to be returned to the Department of Education.

We recommend the School District implement procedures to ensure advances are expended within the required timeframe.

Officials' Response

Refer to Corrective Action Plan on page 88.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2015-002
CFDA Title and Number	CFDA #84.010 – Title I Grants to Local Educational Agencies
Federal Award Year	2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness – Eligibility

The School District participates in the Title I Grants to Local Educational Agencies program, for which it must use the funds (in a targeted assistance program) for programs that are designed to meet the needs of children identified by the School District as failing, or at risk of failing, to meet the State of Ohio's student academic achievement standards. Annually, the School District is required to establish a child's eligibility to receive program benefits. The School District determines eligibility based on several factors, including, but not limited to, test scores. The School District's eligibility process includes obtaining a consent form signed by the child's teacher, parent/guardian, and building principal.

During fiscal year 2015, the School District did not obtain/maintain a consent form for one of the six students tested.

Failure to obtain/maintain consent forms may result in ineligible children receiving benefits.

We recommend the School District obtain/maintain consent forms to ensure that all eligible children receive benefits and that ineligible children do not receive any benefit.

Officials' Response

Refer to Corrective Action Plan on page 88.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	<p>As of December 2015, all PCR's done for Title I and Title VI-B were for negative cash balances only – basically, a reimbursing system after the money is spent. This will ensure that the money has been spent, especially with the change that the money must be expended within 5 business days.</p>	12-1-15	Sandra Griscom, Treasurer
2015-002	<p>River Valley Middle School was a targeted assistance school in '14-'15. All students were correctly identified as participating targeted students, however the parental signed letter was missing for 1 of 6 students. Identified and qualified students were served by Title I tutor for re-teaching and skill building.</p> <p>In '15-'16, River Valley Middle School is no longer designated as targeted assistance school. Our number of economically disadvantage students increased to 40%. River Valley Middle School used the Ohio Improvement Process to become an approved school-wide Title I building. All RVMS students are now being served by the Title I program. The number of tutors has been increased.</p> <p>Curriculum Director, Guidance Counselor, and Principal have discussed the problem with missing letters. A meeting is being held to review compliance for Title I funding for RVMS school-wide program for '15-'16. The compliance report due June 30th is being used for this review</p> <p>Since RVMS '15-'16 is a school-wide Title I building, individual student parental approval letters are no longer required.</p>	June 2016	Nancy Talley, Curriculum Director and Don Giebe, Principal RVMS

RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Financial Reporting- Material Weakness	Yes	

This page intentionally left blank.



Dave Yost • Auditor of State

RIVER VALLEY LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 3, 2016**