



Dave Yost • Auditor of State

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY
JUNE 30, 2016**

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RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY
JUNE 30, 2016

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 8, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 8, 2017

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River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
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, 2016. 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 2016 are as follows:

In total, net position decreased \$261,100, or approximately 3 percent.

General revenues were \$15,520,907, 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 2016. 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, 2016
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 2016 and fiscal year 2015:

Table 1
Net Position

	Governmental Activities		
	2016	2015	Change
<u>Assets</u>			
Current and Other Assets	\$13,588,032	\$13,409,298	\$178,734
Capital Assets, Net	34,139,283	35,180,078	(1,040,795)
Total Assets	47,727,315	48,589,376	(862,061)
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	321,147	367,906	(46,759)
Pension	3,099,929	1,474,825	1,625,104
Total Deferred Outflows of Resources	3,421,076	1,842,731	1,578,345

(continued)

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		Change
	2016	2015	
<u>Liabilities</u>			
Current and Other Liabilities	\$2,178,684	\$2,059,404	(\$119,280)
Long-Term Liabilities			
Pension	22,825,808	19,270,875	(3,554,933)
Other Amounts	11,097,033	12,129,535	1,032,502
Total Liabilities	<u>36,101,525</u>	<u>33,459,814</u>	<u>(2,641,711)</u>
<u>Deferred Inflows of Resources</u>			
Pension	1,470,769	3,477,611	2,006,842
Other Amounts	4,522,278	4,179,763	(342,515)
Total Deferred Inflows of Resources	<u>5,993,047</u>	<u>7,657,374</u>	<u>1,664,327</u>
<u>Net Position</u>			
Net Investment in Capital Assets	24,937,164	24,775,213	161,951
Restricted	2,111,489	2,205,752	(94,263)
Unrestricted (Deficit)	(17,994,834)	(17,666,046)	(328,788)
Total Net Position	<u>\$9,053,819</u>	<u>\$9,314,919</u>	<u>(\$261,100)</u>

The net pension liability is the largest single liability reported by the School District at June 30, 2016, and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". 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.

GASB Statement No. 68 requires the net pension liability to equal 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, 2016
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 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.

Aside from the changes related to pension, the above table reflects few changes of significance as the total change in net position was a decrease of approximately 3 percent. The only changes of significance was the increase in current and other liabilities primarily due to an increase in accrued wages and benefits payable (due to the timing of pay periods) and an increase in claims payable as well as a decrease in other long-term liabilities due to the retirement of debt.

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 2 reflects the change in net position for fiscal year 2016 and fiscal year 2015.

Table 2
Change in Net Position

	Governmental Activities		Change
	2016	2015	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$4,154,479	\$4,033,106	\$121,373
Operating Grants, Contributions, and Interest	2,137,837	1,940,798	197,039
Capital Grants and Contributions	2,500	17,250	(14,750)
Total Program Revenues	<u>6,294,816</u>	<u>5,991,154</u>	<u>303,662</u>
General Revenues			
Property Taxes Levied for General Purposes	6,237,762	6,118,891	118,871
Property Taxes Levied for Classroom Facilities Purposes	100,313	98,464	1,849
Property Taxes Levied for Debt Service Purposes	1,175,875	1,156,411	19,464
Payment in Lieu of Taxes	286,496	336,572	(50,076)
Grants and Entitlements	7,542,511	7,024,460	518,051
Interest	19,273	10,591	8,682
Gifts and Donations	6,100	0	6,100
Other	152,577	171,933	(19,356)
Total General Revenues	<u>15,520,907</u>	<u>14,917,322</u>	<u>603,585</u>
Total Revenues	<u>21,815,723</u>	<u>20,908,476</u>	<u>907,247</u>
<u>Expenses</u>			
Instruction:			
Regular	10,601,228	9,426,929	(1,174,299)
Special	2,067,038	1,850,827	(216,211)
Vocational	361,710	270,384	(91,326)
Support Services:			
Pupils	1,036,636	624,056	(412,580)
Instructional Staff	434,867	703,347	268,480
Board of Education	15,875	24,705	8,830
Administration	1,699,306	1,432,490	(266,816)
Fiscal	490,600	460,011	(30,589)
Business	29,009	26,956	(2,053)
Operation and Maintenance of Plant	1,453,795	1,461,773	7,978
Pupil Transportation	1,287,713	1,146,294	(141,419)
Central	158,245	104,197	(54,048)

(continued)

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Change
	2016	2015	
Non-Instructional Services	\$1,256,999	\$1,022,268	(\$234,731)
Extracurricular Activities	669,498	566,333	(103,165)
Interest and Fiscal Charges	514,304	549,868	35,564
Total Expenses	<u>22,076,823</u>	<u>19,670,438</u>	<u>(2,406,385)</u>
Increase (Decrease) in Net Position	(261,100)	1,238,038	(1,499,138)
Net Position at Beginning of Year	<u>9,314,919</u>	<u>8,076,881</u>	<u>1,238,038</u>
Net Position at End of Year	<u>\$9,053,819</u>	<u>\$9,314,919</u>	<u>(\$261,100)</u>

Program revenues represented approximately 29 percent of total revenues for fiscal year 2016 (29 percent for fiscal year 2015) and are primarily represented by tuition and fees, charges for extracurricular activities, and restricted intergovernmental revenues. Overall, there was a 5 percent increase in program revenues from the prior fiscal year. The increase in charges for services was primarily from lunchroom charges and from gate receipts for athletic and music events. The increase in operating grants and contributions was due to additional grant funding (21st Century Grant and an EPA grant to modify buses to lower pollution emission). The 4 percent increase in general revenues was primarily related to an increase in State founding funding. Overall, revenues increased approximately 4 percent.

Overall expenses increased 12 percent from the prior fiscal year. In general, expenses increased with staff additions as well as salary increases and an increase in health care costs. Also, within the special instruction program was costs associated with offering a new preschool program; a new guidance counselor, school psychologist, and two speech pathologists were added to the pupils program costs; a new safety coordinator was added to the administration program; modifying school buses for lower pollution emission increased costs in the pupil transportation program; and the costs for the school age child care program within the non-instructional services program increased. 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, 2016
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	
	2016	2015	2016	2015
Instruction:				
Regular	\$10,601,228	\$9,426,929	\$7,182,907	\$6,435,269
Special	2,067,038	1,850,827	827,349	271,592
Vocational	361,710	270,384	234,545	143,326
Support Services:				
Pupils	1,036,636	624,056	1,035,559	622,108
Instructional Staff	434,867	703,347	434,867	703,347
Board of Education	15,875	24,705	15,875	24,705
Administration	1,699,306	1,432,490	1,699,306	1,432,490
Fiscal	490,600	460,011	472,600	442,011
Business	29,009	26,956	29,009	26,956
Operation and Maintenance of Plant	1,453,795	1,461,773	1,453,795	1,461,773
Pupil Transportation	1,287,713	1,146,294	1,219,001	1,125,887
Central	158,245	104,197	151,045	96,997
Non-Instructional Services	1,256,999	1,022,268	296,602	130,131
Extracurricular Activities	669,498	566,333	215,243	212,824
Interest and Fiscal Charges	514,304	549,868	514,304	549,868
Total Expenses	<u>\$22,076,823</u>	<u>\$19,670,438</u>	<u>\$15,782,007</u>	<u>\$13,679,284</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 2016, one of these programs was special instruction; 60 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 76 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 68 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 6 percent increase in fund balance. Revenues increased less than 3 percent and expenditures increased 6 percent, yet revenues were more than operating costs for the fiscal year.

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, 2016
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 2016, the School District amended its General Fund budget as needed. For revenues, there was no change from the original budget to the final budget. Changes from the final budget to actual revenues were generally due to budgeting conservatively for revenue. For expenditures, changes from the original budget to the final budget as well as from the final budget to actual expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School District had \$34,139,283 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, 2016, included School Improvement general obligation bonds, in the amount of \$10,208,680. 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 Notes 17 and 18 to the basic financial statements.

Current Issues

The School District was able to continue to add to the General Fund balance in fiscal year 2016. With the hopeful renewal of the emergency levy in 2017, a positive cash balance is forecasted throughout fiscal year 2021.

The biennial State budget resulted in increased revenue for the School District for fiscal years 2016 and 2017. The School District has purchased some new buses, upgraded the security cameras, and repaired and resealed the track. A few additional staff positions were added for the 2016-2017 school year including a full-time vocal music teacher shared between the high school and middle school, a full-time English and part-time Spanish teachers at the high school, and a full-time study hall monitor at the high school to free up teacher time to allow for more instruction.

The School District will be negotiating both union contracts in the spring of 2017.

Cathryn Zimmer will become the new treasurer for the School District beginning January 1, 2017.

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
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 Cathryn Zimmer, Treasurer, River Valley Local School District, 197 Brocklesby Road, Caledonia, Ohio 43314.

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River Valley Local School District
Statement of Net Position
June 30, 2016

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,826,347
Cash and Cash Equivalents with Fiscal Agent	517,706
Accounts Receivable	70,665
Intergovernmental Receivable	190,035
Materials and Supplies Inventory	58,632
Inventory Held for Resale	6,346
Property Taxes Receivable	7,565,112
Payment in Lieu of Taxes Receivable	353,189
Nondepreciable Capital Assets	971,089
Depreciable Capital Assets, Net	33,168,194
Total Assets	47,727,315
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	321,147
Pension	3,099,929
Total Deferred Outflows of Resources	3,421,076
<u>Liabilities:</u>	
Accounts Payable	97,836
Accrued Wages and Benefits Payable	1,454,187
Intergovernmental Payable	302,423
Accrued Interest Payable	61,131
Unearned Revenue	9,557
Claims Payable	253,550
Long-Term Liabilities:	
Due Within One Year	438,482
Due in More Than One Year	
Net Pension Liability	22,825,808
Other Amounts Due in More Than One Year	10,658,551
Total Liabilities	36,101,525
<u>Deferred Inflows of Resources:</u>	
Property Taxes	4,293,381
Payment in Lieu of Taxes	228,897
Pension	1,470,769
Total Deferred Inflows of Resources	5,993,047
<u>Net Position:</u>	
Net Investment in Capital Assets	24,937,164
Restricted For:	
Debt Service	1,157,129
Capital Projects	2,954
Classroom Facilities Maintenance	584,551
Other Purposes	366,855
Unrestricted (Deficit)	(17,994,834)
Total Net Position	\$9,053,819

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

River Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$10,601,228	\$3,217,873	\$200,448	\$0
Special	2,067,038	0	1,239,689	0
Vocational	361,710	0	127,165	0
Support Services:				
Pupils	1,036,636	0	1,077	0
Instructional Staff	434,867	0	0	0
Board of Education	15,875	0	0	0
Administration	1,699,306	0	0	0
Fiscal	490,600	18,000	0	0
Business	29,009	0	0	0
Operation and Maintenance of Plant	1,453,795	0	0	0
Pupil Transportation	1,287,713	0	68,712	0
Central	158,245	0	7,200	0
Non-Instructional Services	1,256,999	528,524	431,873	0
Extracurricular Activities	669,498	390,082	61,673	2,500
Interest and Fiscal Charges	514,304	0	0	0
Total Governmental Activities	<u>\$22,076,823</u>	<u>\$4,154,479</u>	<u>\$2,137,837</u>	<u>\$2,500</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
Gifts and Donations
Other
Total General Revenues

Change in Net Position

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

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Net (Expense) Revenue
and Change in Net Position

Governmental
Activities

(\$7,182,907)
(827,349)
(234,545)

(1,035,559)
(434,867)
(15,875)
(1,699,306)
(472,600)
(29,009)
(1,453,795)
(1,219,001)
(151,045)
(296,602)
(215,243)
(514,304)
(15,782,007)

6,237,762
100,313
1,175,875
286,496
7,542,511
19,273
6,100
152,577
15,520,907

(261,100)

9,314,919
\$9,053,819

See Accountant's Compilation Report

River Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2016

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,446,524	\$706,483	\$673,340	\$4,826,347
Accounts Receivable	19,984	0	50,681	70,665
Intergovernmental Receivable	38,622	0	151,413	190,035
Interfund Receivable	81,625	0	278,796	360,421
Materials and Supplies Inventory	52,669	0	5,963	58,632
Inventory Held for Resale	0	0	6,346	6,346
Property Taxes Receivable	6,278,057	1,185,343	101,712	7,565,112
Payment in Lieu of Taxes Receivable	353,189	0	0	353,189
Total Assets	<u>\$10,270,670</u>	<u>\$1,891,826</u>	<u>\$1,268,251</u>	<u>\$13,430,747</u>
<u>Liabilities:</u>				
Accounts Payable	\$47,231	\$0	\$50,605	\$97,836
Accrued Wages and Benefits Payable	1,352,998	0	101,189	1,454,187
Intergovernmental Payable	270,838	0	31,585	302,423
Interfund Payable	278,796	0	81,625	360,421
Unearned Revenue	0	0	9,557	9,557
Total Liabilities	<u>1,949,863</u>	<u>0</u>	<u>274,561</u>	<u>2,224,424</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	3,561,735	673,566	58,080	4,293,381
Payment in Lieu of Taxes	228,897	0	0	228,897
Unavailable Revenue	455,398	84,471	114,150	654,019
Total Deferred Inflows of Resources	<u>4,246,030</u>	<u>758,037</u>	<u>172,230</u>	<u>5,176,297</u>
<u>Fund Balances:</u>				
Nonspendable	52,669	0	5,963	58,632
Restricted	0	1,133,789	925,705	2,059,494
Assigned	584,650	0	0	584,650
Unassigned (Deficit)	3,437,458	0	(110,208)	3,327,250
Total Fund Balances	<u>4,074,777</u>	<u>1,133,789</u>	<u>821,460</u>	<u>6,030,026</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$10,270,670</u>	<u>\$1,891,826</u>	<u>\$1,268,251</u>	<u>\$13,430,747</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

River Valley Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2016

Total Governmental Fund Balances		\$6,030,026
<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.		34,139,283
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	52,320	
Intergovernmental Receivable	70,154	
Delinquent Property Taxes Receivable	531,545	
		654,019
Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.		321,147
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(61,131)	
School Improvement Bonds Payable	(10,208,680)	
Compensated Absences Payable	(806,276)	
Capital Leases Payable	(82,077)	
		(11,158,164)
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	3,099,929	
Deferred Inflows - Pension	(1,470,769)	
Net Pension Liability	(22,825,808)	
		(21,196,648)
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.		264,156
Net Position of Governmental Activities		\$9,053,819

See Accompanying Notes to the Basic Financial Statements
 See Accountant's Compilation Report

River Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$6,208,999	\$1,169,921	\$99,905	\$7,478,825
Payment in Lieu of Taxes	286,496	0	0	286,496
Intergovernmental	7,816,089	330,822	1,462,654	9,609,565
Interest	15,107	0	865	15,972
Tuition and Fees	3,215,370	0	0	3,215,370
Extracurricular Activities	5,940	0	432,271	438,211
Charges for Services	18,000	0	527,853	545,853
Gifts and Donations	6,100	0	3,577	9,677
Other	148,355	0	8,851	157,206
Total Revenues	<u>17,720,456</u>	<u>1,500,743</u>	<u>2,535,976</u>	<u>21,757,175</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,398,761	0	277,133	9,675,894
Special	1,590,938	0	383,351	1,974,289
Vocational	306,124	0	395	306,519
Support Services:				
Pupils	795,884	0	232,273	1,028,157
Instructional Staff	382,548	0	97	382,645
Board of Education	15,875	0	0	15,875
Administration	1,428,640	0	121,866	1,550,506
Fiscal	467,065	28,830	2,449	498,344
Business	29,009	0	0	29,009
Operation and Maintenance of Plant	1,381,647	0	46,146	1,427,793
Pupil Transportation	1,318,529	0	52,620	1,371,149
Central	152,204	0	0	152,204
Non-Instructional Services	0	0	1,013,599	1,013,599
Extracurricular Activities	89,216	0	454,703	543,919
Capital Outlay	0	0	135,460	135,460
Debt Service:				
Principal Retirement	86,725	1,100,000	0	1,186,725
Interest and Fiscal Charges	4,065	388,788	0	392,853
Total Expenditures	<u>17,447,230</u>	<u>1,517,618</u>	<u>2,720,092</u>	<u>21,684,940</u>
Excess of Revenues Over (Under) Expenditures	<u>273,226</u>	<u>(16,875)</u>	<u>(184,116)</u>	<u>72,235</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	45,000	45,000
Transfers Out	(45,000)	0	0	(45,000)
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>0</u>	<u>45,000</u>	<u>0</u>
Changes in Fund Balances	228,226	(16,875)	(139,116)	72,235
Fund Balances at Beginning of Year	<u>3,846,551</u>	<u>1,150,664</u>	<u>960,576</u>	<u>5,957,791</u>
Fund Balances at End of Year	<u>\$4,074,777</u>	<u>\$1,133,789</u>	<u>\$821,460</u>	<u>\$6,030,026</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

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, 2016

Changes in Fund Balances - Total Governmental Funds \$72,235

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	363,272	
Depreciation	<u>(831,847)</u>	(468,575)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (572,220)

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

Delinquent Property Taxes	35,125	
Intergovernmental	7,168	
Tuition and Fees	2,503	
Extracurricular Activities	8,915	
Charges for Services	<u>671</u>	54,382

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	1,100,000	
Capital Leases	<u>86,725</u>	1,186,725

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. (72,198)

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	7,333	
Annual Accretion on Capital Appreciation Bonds	(144,805)	
Amortization of Premium	62,780	
Amortization of Deferred Charge on Refunding	<u>(46,759)</u>	(121,451)

(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, 2016
 (continued)

Except for amounts reported as deferred outflow/inflows, changes in net position liability are reported as pension expense on the statement of activities.		(\$1,318,339)
Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.		1,395,352
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	4,166	
Allocated to Activities	<u>(421,177)</u>	<u>(417,011)</u>
Change in Net Position of Governmental Activities		<u><u>(\$261,100)</u></u>

See Accompanying Notes to the Basic Financial Statements
 See Accountant's Compilation Report

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$5,568,879	\$5,713,879	\$6,208,641	\$494,762
Payment in Lieu of Taxes	232,500	232,500	310,540	78,040
Intergovernmental	7,583,926	7,528,926	7,808,579	279,653
Interest	8,927	8,927	15,107	6,180
Tuition and Fees	2,994,500	2,894,500	3,213,064	318,564
Extracurricular Activities	7,500	7,500	5,940	(1,560)
Charge for Services	18,000	18,000	18,000	0
Gifts and Donations	11,000	11,000	6,100	(4,900)
Other	84,091	94,091	117,635	23,544
Total Revenues	<u>16,509,323</u>	<u>16,509,323</u>	<u>17,703,606</u>	<u>1,194,283</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,475,719	9,617,748	9,354,547	263,201
Special	1,372,368	1,624,430	1,570,548	53,882
Vocational	335,942	325,875	351,861	(25,986)
Support Services:				
Pupils	738,728	699,479	705,744	(6,265)
Instructional Staff	482,111	411,673	390,577	21,096
Board of Education	12,000	16,810	15,875	935
Administration	1,229,522	1,490,493	1,451,437	39,056
Fiscal	446,615	479,079	478,944	135
Business	79,818	38,959	36,989	1,970
Operation and Maintenance of Plant	1,487,820	1,436,590	1,409,739	26,851
Pupil Transportation	1,350,522	1,445,594	1,442,159	3,435
Central	101,160	167,319	167,598	(279)
Extracurricular Activities	81,822	95,098	89,615	5,483
Public School Support				
Pupils	60,377	60,377	54,561	5,816
Total Expenditures	<u>17,254,524</u>	<u>17,909,524</u>	<u>17,520,194</u>	<u>389,330</u>
Excess of Revenues Over (Under) Expenditures	<u>(745,201)</u>	<u>(1,400,201)</u>	<u>183,412</u>	<u>1,583,613</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	23,000	23,000	43,389	20,389
Advances Out	0	0	(30,275)	(30,275)
Transfers Out	0	(45,000)	(45,000)	0
Total Other Financing Sources (Uses)	<u>23,000</u>	<u>(22,000)</u>	<u>(31,886)</u>	<u>(9,886)</u>
Changes in Fund Balance	(722,201)	(1,422,201)	151,526	1,573,727
Fund Balance at Beginning of Year	3,031,431	3,031,431	3,031,431	0
Prior Year Encumbrances Appropriated	196,724	196,724	196,724	0
Fund Balance at End of Year	<u>\$2,505,954</u>	<u>\$1,805,954</u>	<u>\$3,379,681</u>	<u>\$1,573,727</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

River Valley Local School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2016

	<u>Governmental Activity Internal Service</u>
<u>Current Assets:</u>	
Cash and Cash Equivalents with Fiscal Agent	\$517,706
<u>Current Liabilities:</u>	
Claims Payable	<u>253,550</u>
<u>Net Position:</u>	
Unrestricted	<u><u>\$264,156</u></u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

River Valley Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	Governmental Activity
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$2,578,019
<u>Operating Expenses:</u>	
Purchased Services	672,863
Claims	2,326,333
Total Operating Expenses	2,999,196
Operating Loss	(421,177)
<u>Non-Operating Revenues:</u>	
Interest Revenue	4,166
Change in Net Position	(417,011)
Net Position at Beginning of Year	681,167
Net Position at End of Year	\$264,156

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

River Valley Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	Governmental Activity
	Internal Service
<u>Decrease in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Transactions with Other Funds	\$2,578,019
Cash Payments for Goods and Services	(672,863)
Cash Payments for Claims	(2,249,046)
Net Cash Used for Operating Activities	(343,890)
<u>Cash Flows from Investing Activities:</u>	
Cash Received from Interest	4,166
Net Decrease in Cash and Cash Equivalents	(339,724)
Cash and Cash Equivalents at Beginning of Year	857,430
Cash and Cash Equivalents at End of Year	\$517,706
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$421,177)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Changes in Assets and Liabilities:	
Increase in Claims Payable	77,287
Net Cash Used for Operating Activities	(\$343,890)
See Accompanying Notes to the Basic Financial Statements	
See Accountant's Compilation Report	

River Valley Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,250	\$75,507
<u>Liabilities:</u>		
Due to Students	0	\$70,031
Undistributed Assets	0	5,476
Total Liabilities	0	\$75,507
<u>Net Position:</u>		
Held in Trust for Scholarships	\$1,250	

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

River Valley Local School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2016

<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
See Accountant's Compilation Report

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 eighty-eight classified employees, one hundred twenty-three certified teaching personnel, and thirteen administrative employees who provide services to 1,976 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 are included on the statement of fund net position. The statement of revenues, expenses, and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its proprietary 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.

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 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, 2016, but which were levied to finance fiscal year 2017 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. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 19. 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 2016, 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 has adopted Governmental Standards Board (GASB) statement No. 79, "certain external investment pools and pool participants". The School District measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The net asset value per share is calculated on an amortized cost basis that provides a net asset value per share that approximates fair value.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2016 was \$15,107, which includes \$2,721 assigned from other School District funds.

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

G. Inventory

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

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 acquisition value on the date donated. The School District maintains a capitalization threshold of three thousand five hundred 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	15 - 40 years
Buildings and Building Improvements	10 - 75 years
Furniture, Fixtures, and Equipment	7 - 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

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 2017 budget. Certain resources have also been assigned for various educational activities.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

S. Estimates

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

Note 3 - Change in Accounting Principles and Change in Estimate

For fiscal year 2016, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application”, GASB Statement No. 76, “Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, GASB Statement No. 79, “Certain External Investment Pools and Pool Participants”, and GASB Statement No. 82, “Pension Issues-an Amendment of GASB Statements No. 67, No. 69, and No. 73”.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this statement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure, for financial reporting purposes, all of their investments at amortized cost. The Statement provides accounting and financial reporting guidance that also establishes additional note disclosure requirements for governments that participate in these pools. The School District participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB Statement No.79 guidance into the fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2016, the School District changed its capitalization threshold from \$1,000 to \$3,500. This change did not result in a significant change in capital assets reported by the School District.

Note 4 - Accountability

At June 30, 2016, the School Aged Child Care, CTAE, Title VI-B, Limited English Proficiency, Title I , Improving Teacher Quality, and Miscellaneous Federal Grants special revenue funds had deficit fund balances, in the amount of \$58,219, \$502, \$4,966, \$320, \$3,863, \$3,865, and \$38,473, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 5 - Budgetary Basis of Accounting

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

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

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

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

	General Fund
GAAP Basis	\$228,226
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals:	
Accrued FY 2015, Received in Cash FY 2016	2,470,361
Accrued FY 2016, Not Yet Received in Cash	(2,443,822)
Expenditure Accruals:	
Accrued FY 2015, Paid in Cash FY 2016	(1,611,917)
Accrued FY 2016, Not Yet Paid in Cash	1,671,067
Materials and Supplies Inventory	(13,921)
Advances Out	(30,275)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(118,193)
Budget Basis	\$151,526

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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 and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
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.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 6 - Deposits and Investments (continued)

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

Investments

As of June 30, 2016, the fair value of funds on deposit with STAR Ohio was \$3,488,262. The School District's investments in STAR Ohio had an average maturity of 48.6 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, 2016, 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	\$9,074
Department of Job and Family Services	8,636
Ridgedale Local School District	20,912
Total General Fund	38,622
Other Governmental Funds	
Title VI-B	26,933
Limited English Proficiency	320
Title I	51,662
Improving Teacher Quality	11,460
Miscellaneous Federal Grants	61,038
Total Other Governmental Funds	151,413
Total Governmental Activities	\$190,035

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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, 2016, are available to finance fiscal year 2016 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, 2016, 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, 2016, was \$2,276,264 in the General Fund, \$36,616 in the Classroom Facilities Maintenance special revenue fund, and \$427,306 in the Bond Retirement debt service fund. 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.

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, 2016

Note 8 - Property Taxes (continued)

The assessed values upon which fiscal year 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$215,693,590	74.57%	\$216,914,490	74.13%
Industrial/Commercial	62,792,140	21.71	63,833,550	21.82
Public Utility	10,754,620	3.72	11,840,620	4.05
Total Assessed Value	<u>\$289,240,350</u>	<u>100.00%</u>	<u>\$292,588,660</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.62		\$38.62	

Note 9 - Payment in Lieu of Taxes

In accordance with agreements related to tax increment financing districts, 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, 2016, was as follows:

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$971,089	\$0	\$0	\$971,089
Depreciable Capital Assets				
Land Improvements	978,961	0	(8,839)	970,122
Buildings and Building Improvements	39,819,471	0	(303,819)	39,515,652
Furniture, Fixtures, and Equipment	2,430,084	130,444	(1,294,770)	1,265,758
Vehicles	1,304,156	232,828	0	1,536,984
Total Depreciable Capital Assets	<u>44,532,672</u>	<u>363,272</u>	<u>(1,607,428)</u>	<u>43,288,516</u>

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 10 - Capital Assets (continued)

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$370,214)	(\$36,548)	\$6,058	(\$400,704)
Buildings and Building Improvements	(7,722,254)	(646,190)	90,592	(8,277,852)
Furniture, Fixtures, and Equipment	(1,468,127)	(54,512)	938,558	(584,081)
Vehicles	(763,088)	(94,597)	0	(857,685)
Total Accumulated Depreciation	(10,323,683)	(831,847)	1,035,208	(10,120,322)
Depreciable Capital Assets, Net	34,208,989	(468,575)	(572,220)	33,168,194
Governmental Activities Capital Assets, Net	\$35,180,078	(\$468,575)	(\$572,220)	\$34,139,283

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$334,723
Special	26,359
Vocational	10,527
Support Services:	
Pupils	681
Instructional Staff	32,564
Administration	32,149
Fiscal	412
Operation and Maintenance of Plant	35,875
Pupil Transportation	107,278
Non-Instructional Services	71,739
Extracurricular Activities	179,540
Total Depreciation Expense	<u>\$831,847</u>

Note 11 - Interfund Assets/Liabilities

At June 30, 2016, the General Fund had an interfund receivable, in the amount of \$81,625, from other governmental funds for loans made to those funds. This amount is expected to be repaid within one year. Other governmental funds had an interfund receivable, in the amount of \$278,796, from the General Fund for the House Bill 264 Energy Project. This amount is not expected to be repaid within one year.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016, 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	61,549,943
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 2016, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

The School District offers medical insurance to all employees through a self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The internal service fund covers claims up to \$500,000 per individual and \$1,000,000 total aggregate annually. Settled claims have not exceeded this coverage for the past three years. Stop loss insurance covers claims in excess of these limits. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2016, was estimated by the third party administrator at \$253,550.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 12 - Risk Management (continued)

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

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2016	\$176,263	\$2,326,333	\$2,249,046	\$253,550
2015	83,636	1,723,053	1,630,426	176,263

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 2017 are as follows:

General Fund	\$118,193
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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.

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.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 14 - Defined Benefit Pension Plans (continued)

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.

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 credit 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.

Note 14 - Defined Benefit Pension Plans (continued)

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$332,243 for fiscal year 2016. Of this amount, \$56,232 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.

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.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 14 - Defined Benefit Pension Plans (continued)

The CP offers features of both the DBP and the DCP. In the CP, 11 percent of the 12 percent member rate goes to the DCP and 1 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member 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.

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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased 1 percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,063,109 for fiscal year 2016. Of this amount, \$179,896 is reported as an intergovernmental payable.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 14 - Defined Benefit Pension Plans (continued)

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, 2015, 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>
Proportion of the Net Pension Liability Prior Measurement Date	0.07622500%	0.06336751%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.07719190%</u>	<u>0.06665381%</u>	
Change in Proportionate Share	<u>(0.00096690%)</u>	<u>(0.00328630%)</u>	
Proportionate Share of the Net Pension Liability	\$4,404,645	\$18,421,163	\$22,825,808
Pension Expense	\$293,041	\$1,025,298	\$1,318,339

At June 30, 2016, 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	\$70,924	\$839,773	\$910,697
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions School District Contributions Subsequent to the Measurement Date	43,351	750,529	793,880
Total Deferred Outflows of Resources	<u>332,243</u> <u>\$446,518</u>	<u>1,063,109</u> <u>\$2,653,411</u>	<u>1,395,352</u> <u>\$3,099,929</u>
Deferred Inflows of Resources			
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>\$145,940</u>	<u>\$1,324,829</u>	<u>\$1,470,769</u>

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 14 - Defined Benefit Pension Plans (continued)

\$1,395,352 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, 2017. 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
2017	(\$39,149)	(\$111,339)	(\$150,488)
2018	(39,149)	(111,339)	(150,488)
2019	(39,485)	(111,339)	(150,824)
2020	86,118	599,490	685,608
Total	(\$31,665)	\$265,473	\$233,808

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, 2015, 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, 2016

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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes. The target allocation and the long-term expected real rate of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00%	

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, 2016

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	\$6,107,659	\$4,404,645	\$2,970,566

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75 percent
Projected Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
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 commences 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 from age ninety and above.

Actuarial assumptions used in the June 30, 2015, 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, 2016

Note 14 - Defined Benefit Pension Plans (continued)

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the retirement board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Nominal 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%	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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	\$25,588,386	\$18,421,163	\$12,360,209

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 2016, no allocation 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 2016, this amount was \$23,000. 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 2016, the School District's surcharge obligation was \$39,012.

The School District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 was \$0, \$19,145, and \$2,861, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System (STRS)

Health Care 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016, and June 30, 2015, STRS did not allocate any employer contributions to postemployment health care. For the fiscal year ended June 30, 2014, 1 percent of covered payroll was allocated to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$64,921, 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, 2016

Note 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2008 School Improvement Refunding Bonds					
Serial Bonds - 4%	\$8,360,000	\$0	\$1,100,000	\$7,260,000	\$0
Capital Appreciation Bonds	295,000	0	0	295,000	295,000
Accretion on Capital Appreciation Bonds	622,686	144,805	0	767,491	0
Premium	493,969	0	62,780	431,189	0
FY2002 School Improvement Bonds 2.2-5.25%	1,455,000	0	0	1,455,000	0
Total General Obligation Bonds	<u>11,226,655</u>	<u>144,805</u>	<u>1,162,780</u>	<u>10,208,680</u>	<u>295,000</u>
Net Pension Liability					
SERS	3,857,704	546,941	0	4,404,645	0
STRS	15,413,171	3,007,992	0	18,421,163	0
Total Net Pension Liability	<u>19,270,875</u>	<u>3,554,933</u>	<u>0</u>	<u>22,825,808</u>	
Compensated Absences Payable	734,078	85,934	13,736	806,276	61,405
Capital Leases Payable	168,802	0	86,725	82,077	82,077
Total Governmental Activities Long -Term Obligations	<u>\$31,400,410</u>	<u>\$3,785,672</u>	<u>\$1,263,241</u>	<u>\$33,922,841</u>	<u>\$438,482</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 2016, \$144,805 was accreted on the capital appreciation bonds for a total bond value of \$1,062,491 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, 2016

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 \$17,419,752 with an unvoted debt margin of \$281,066 at June 30, 2016.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2016, were as follows:

Fiscal Year Ending	General Obligation Bonds		Interest	Total
	Serial	Capital Appreciation		
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	1,235,000	0	206,488	1,441,488
2022-2024	4,090,000	0	297,470	4,387,470
	<u>\$8,715,000</u>	<u>\$295,000</u>	<u>\$2,591,710</u>	<u>\$11,601,710</u>

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016 were \$86,725.

	Governmental Activities
Property under Capital Lease	\$245,788
Less Accumulated Depreciation	(47,109)
Total June 30, 2016	\$198,679

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, 2016.

Year	Governmental Activities	
	Principal	Interest
2017	\$82,077	\$2,019

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	\$52,669	0	\$5,963	\$58,632
Restricted for:				
Athletics and Music	0	0	128,503	128,503
Debt Retirement	0	1,133,789	0	1,133,789
Food Service Operations	0	0	213,180	213,180
Permanent Improvements	0	0	2,954	2,954

(continued)

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 19 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for (continued):				
Regular Instruction	\$0	\$0	\$2,983	\$2,983
School Facilities Maintenance	0	0	577,535	577,535
Vocational Instruction	0	0	550	550
Total Restricted	0	1,133,789	925,705	2,059,494
Assigned for:				
Educational Activities	43,475	0	0	43,475
Projected Budget Shortage	459,743	0	0	459,743
Unpaid Obligations	81,432	0	0	81,432
Total Assigned	584,650	0	0	584,650
Unassigned (Deficit)	3,437,458	0	(110,208)	3,327,250
Total Fund Balance	\$4,074,777	\$1,133,789	\$821,460	\$6,030,026

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 2016.

	<u>Capital Improvements</u>
Balance June 30, 2015	\$0
Current Year Set Aside Requirement	352,811
Current Year Offsets	<u>(352,811)</u>
Balance June 30, 2016	<u>\$0</u>

Note 21 - Interfund Transfers

During fiscal year 2016, 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 2016, the School District paid \$57,927 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, 2016.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 fiscal year 2015, 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, 2016, 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.

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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 Three Fiscal Years (1)

	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.07719190%	0.07622500%	0.07622500%
School District's Proportionate Share of the Net Pension Liability	\$4,404,645	\$3,857,704	\$4,532,856
School District's Covered Employee Payroll	\$2,334,736	\$2,043,580	\$2,147,931
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	188.66%	188.77%	211.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	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 Three Fiscal Years (1)

	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.06665381%	0.06337510%	0.06337510%
School District's Proportionate Share of the Net Pension Liability	\$18,421,163	\$15,413,171	\$18,360,069
School District's Covered Employee Payroll	\$7,042,064	\$6,492,123	\$6,292,438
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	261.59%	237.41%	291.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	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.

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$332,243	\$307,718	\$308,722	\$281,379
Contributions in Relation to the Contractually Required Contribution	<u>(332,243)</u>	<u>(307,718)</u>	<u>(308,722)</u>	<u>(281,379)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Employee Payroll	\$2,373,164	\$2,334,736	\$2,043,580	\$2,147,931
Contributions as a Percentage of Covered Employee Payroll	14.00%	13.18%	15.11%	13.10%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$268,236	\$264,983	\$272,144	\$193,421	\$183,871	\$189,489
<u>(268,236)</u>	<u>(264,983)</u>	<u>(272,144)</u>	<u>(193,421)</u>	<u>(183,871)</u>	<u>(189,489)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,112,094	\$2,243,717	\$2,129,452	\$2,127,844	\$2,007,325	\$1,774,242
12.70%	11.81%	12.78%	9.09%	9.16%	10.68%

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,063,109	\$985,889	\$843,976	\$818,017
Contributions in Relation to the Contractually Required Contribution	<u>(1,063,109)</u>	<u>(985,889)</u>	<u>(843,976)</u>	<u>(818,017)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Employee Payroll	\$7,593,636	\$7,042,064	\$6,492,123	\$6,292,438
Contributions as a Percentage of Covered Employee Payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$842,068	\$916,632	\$962,178	\$918,469	\$894,666	\$848,412
<u>(842,068)</u>	<u>(916,632)</u>	<u>(962,178)</u>	<u>(918,469)</u>	<u>(894,666)</u>	<u>(848,412)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,477,446	\$7,051,015	\$7,401,369	\$7,065,146	\$6,882,046	\$6,526,246
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal 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	\$ 32,984
Cash Assistance		
School Breakfast Program	10.553	79,403
National School Lunch Program	10.555	311,339
Total Child Nutrition Cluster		423,726
TOTAL U.S. DEPARTMENT OF AGRICULTURE		423,726
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through the Ohio Department of Education</i>		
Special Education Cluster:		
Special Education_Grants to State	84.027	383,268
Special Education_Preschool Grants	84.173	13,831
Total Special Education Cluster		397,099
Title I Grants to Local Educational Agencies	84.010	400,215
Improving Teacher Quality State Grants	84.367	47,099
Twenty-First Century Community Learning Centers	84.287	195,079
<i>Passed Through North Central Ohio Educational Service Center</i>		
English Language Acquisition State Grants	84.365	320
TOTAL U.S. DEPARTMENT OF EDUCATION		1,039,812
U.S. ENVIRONMENTAL PROTECTION AGENCY		
<i>Passed Through Ohio Environmental Protection Agency</i>		
State Clean Diesel Grant Program	66.040	12,564
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		12,564
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 1,476,102

The accompanying notes are an integral part of this schedule.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of River Valley Local School District (the School District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – 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 programs 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 the River Valley Local School District, Marion County, Ohio (the School District) as of and for the year ended June 30, 2016, 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 8, 2017.

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 8, 2017



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 THE UNIFORM GUIDANCE

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 School District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *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, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the River Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect the major federal programs, 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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 8, 2017

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 10.553, 10.555 – Child Nutrition Cluster CFDA #84.027, 84.173 – Special Education-Grants to States and Special Education-Preschool Grants
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	<p>Material Noncompliance/Material Weakness-Cash Management: The District failed to spend Title I and Special Education advances within thirty days.</p>	Partially Corrected	The District spent funds within 30 days which was the original process. ODE requires spending the funds within 5 days, which was not met for fiscal year 2016 (District switched from advance funding to reimbursement only in December 2015) and therefore this comment was included in the management letter. For fiscal year 2017, the District is currently requesting federal funds as reimbursement because the 5 day restriction is too restrictive.
2015-002	<p>Material Weakness-Eligibility: The District didn't maintain a consent form for one of six students tested for Title I eligibility.</p>	Finding no Longer Valid	Building was determined to be school wide for 2015-2016 school year.



Dave Yost • Auditor of State

RIVER VALLEY LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 30, 2017**