



**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017



Dave Yost • Auditor of State

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY
JUNE 30, 2017**

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MARION COUNTY
JUNE 30, 2017**

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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 the River Valley Local School District, Marion County, Ohio (the School District), as of and for the year ended June 30, 2017, 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 such 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 the River Valley Local School District, Marion County, Ohio, as of June 30, 2017, 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 information 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 information 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 February 14, 2018, 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

February 14, 2018

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River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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, 2017. 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 2017 are as follows:

In total, net position decreased \$954,464, or approximately 11 percent.

General revenues were \$16,471,488, 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 2017. 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, 2017
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 2017 and fiscal year 2016:

Table 1
Net Position

	Governmental Activities		
	2017	2016	Change
<u>Assets</u>			
Current and Other Assets	\$13,833,212	\$13,588,032	\$245,180
Capital Assets, Net	33,513,719	34,139,283	(625,564)
Total Assets	47,346,931	47,727,315	(380,384)
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	308,607	321,147	(12,540)
Pension	6,949,476	3,099,929	3,849,547
Total Deferred Outflows of Resources	7,258,083	3,421,076	3,837,007

(continued)

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		Change
	2017	2016	
<u>Liabilities</u>			
Current and Other Liabilities	\$2,260,108	\$2,178,684	(\$81,424)
Long-Term Liabilities			
Pension	29,360,048	22,825,808	(6,534,240)
Other Amounts	10,010,813	11,097,033	1,086,220
Total Liabilities	<u>41,630,969</u>	<u>36,101,525</u>	<u>(5,529,444)</u>
<u>Deferred Inflows of Resources</u>			
Pension	48,609	1,470,769	1,422,160
Other Amounts	4,826,081	4,522,278	(303,803)
Total Deferred Inflows of Resources	<u>4,874,690</u>	<u>5,993,047</u>	<u>1,118,357</u>
<u>Net Position</u>			
Net Investment in Capital Assets	24,692,974	24,937,164	(244,190)
Restricted	2,050,561	2,111,489	(60,928)
Unrestricted (Deficit)	<u>(18,644,180)</u>	<u>(17,994,834)</u>	<u>(649,346)</u>
Total Net Position	<u>\$8,099,355</u>	<u>\$9,053,819</u>	<u>(\$954,464)</u>

The net pension liability reported by the School District at June 30, 2017, 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, 2017
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.

Pension related changes noted in the above table reflect a significant increase in deferred outflows and decrease in deferred inflows related to changes in projected and actual earnings on investments related to the net pension liability. The increase in the net pension liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

Aside from the changes related to pension, the above table reflects few changes of significance. The decrease in net capital assets was generally due to annual depreciation. The increase in current and other liabilities is primarily due to an increase in personnel related costs; accrued wages and benefits payable (due to the timing of pay periods and wage increases) along with related costs such as pension. The decrease in other long-term liabilities represents the retirement of debt.

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 2 reflects the change in net position for fiscal year 2017 and fiscal year 2016.

Table 2
Change in Net Position

	Governmental Activities		Change
	2017	2016	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$4,451,987	\$4,154,479	\$297,508
Operating Grants, Contributions, and Interest	2,262,263	2,137,837	124,426
Capital Grants and Contributions	0	2,500	(2,500)
Total Program Revenues	6,714,250	6,294,816	419,434
General Revenues			
Property Taxes Levied for General Purposes	6,492,480	6,237,762	254,718
Property Taxes Levied for Classroom Facilities Purposes	101,370	100,313	1,057
Property Taxes Levied for Debt Service Purposes	1,235,446	1,175,875	59,571
Payment in Lieu of Taxes	287,039	286,496	543
Grants and Entitlements	8,080,807	7,542,511	538,296
Interest	34,971	19,273	15,698
Gifts and Donations	1,285	6,100	(4,815)
Other	238,090	152,577	85,513
Total General Revenues	16,471,488	15,520,907	950,581
Total Revenues	23,185,738	21,815,723	1,370,015
<u>Expenses</u>			
Instruction:			
Regular	11,712,276	10,601,228	(1,111,048)
Special	2,498,355	2,067,038	(431,317)
Vocational	381,950	361,710	(20,240)
Support Services:			
Pupils	997,013	1,036,636	39,623
Instructional Staff	503,021	434,867	(68,154)
Board of Education	16,309	15,875	(434)
Administration	1,996,749	1,699,306	(297,443)
Fiscal	565,986	490,600	(75,386)
Business	41,319	29,009	(12,310)
Operation and Maintenance of Plant	1,551,911	1,453,795	(98,116)
Pupil Transportation	1,335,930	1,287,713	(48,217)
Central	266,889	158,245	(108,644)
Non-Instructional Services	1,227,655	1,256,999	29,344
Extracurricular Activities	627,820	669,498	41,678
Interest and Fiscal Charges	417,019	514,304	97,285
Total Expenses	24,140,202	22,076,823	(2,063,379)
Increase (Decrease) in Net Position	(954,464)	(261,100)	(693,364)
Net Position at Beginning of Year	9,053,819	9,314,919	(261,100)
Net Position at End of Year	\$8,099,355	\$9,053,819	(\$954,464)

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Program revenues represented approximately 29 percent of total revenues for fiscal year 2017 (same for fiscal year 2016) and are primarily represented by tuition and fees, charges for extracurricular activities, and restricted intergovernmental revenues. The increase from the prior year is generally due to tuition increases (open enrollment, special education, and preschool) and an increase in restricted State foundation resources. The increase in general revenues is due to a modest increase in property taxes; largely the result of an increase in the amount available as an advance at fiscal year end. The amount of property taxes available as an advance fluctuates due the timing of when taxpayers pay their property taxes as taxpayers have the option of paying their taxes in full early in the year or to pay half early in the year with a second payment made mid-year. There was also an increase in unrestricted State foundation resources. Overall, there was a 6 percent increase in total revenues from the prior fiscal year.

Overall expenses increased 9 percent from the prior fiscal year. This can be attributed to salary and benefit increases as well as the increase in the net pension liability.

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	
	2017	2016	2017	2016
Instruction:				
Regular	\$11,712,276	\$10,601,228	\$8,397,045	\$7,182,907
Special	2,498,355	2,067,038	657,236	827,349
Vocational	381,950	361,710	234,445	234,545
Support Services:				
Pupils	997,013	1,036,636	995,098	1,035,559
Instructional Staff	503,021	434,867	503,021	434,867
Board of Education	16,309	15,875	16,309	15,875
Administration	1,996,749	1,699,306	1,996,749	1,699,306
Fiscal	565,986	490,600	565,986	472,600
Business	41,319	29,009	41,319	29,009
Operation and Maintenance of Plant	1,551,911	1,453,795	1,551,911	1,453,795
Pupil Transportation	1,335,930	1,287,713	1,302,223	1,219,001
Central	266,889	158,245	259,689	151,045
Non-Instructional Services	1,227,655	1,256,999	192,147	296,602
Extracurricular Activities	627,820	669,498	295,755	215,243
Interest and Fiscal Charges	417,019	514,304	417,019	514,304
Total Expenses	<u>\$24,140,202</u>	<u>\$22,076,823</u>	<u>\$17,425,952</u>	<u>\$15,782,007</u>

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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 2017, one of these programs was special instruction; 74 percent of program costs were provided for through program revenues, much of this in the form of operating grants restricted for special instruction purposes. Approximately 84 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 47 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.

There was almost no change in fund balance for the General Fund.

The increase in fund balance in the Bond Retirement Fund was due to property taxes and related revenues in excess of amounts needed to pay current year debt requirements.

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 2017, the School District amended its General Fund budget as needed. Although the change from the original budget to the final budget for revenues was not significant, there was an increase in the estimate for property taxes and for tuition. Actual revenues were greater than estimated amounts due to conservative estimates. For expenditures, there was an increase from the original budget to the final budget for most programs, although the changes by program were generally not significant. Changes from the final budget to actual expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$33,513,719 invested in capital assets (net of accumulated depreciation). Additions and disposals were primarily vehicles and equipment. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

River Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Debt

The School District's outstanding debt at June 30, 2017, included School Improvement general obligation bonds, in the amount of \$9,129,352. The School District's long-term obligations also include the net pension liability and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 18 to the basic financial statements.

Current Issues

The School District placed an emergency renewal levy on the November 2017 ballot. This was not for new money. These funds have been and will continue to be used in the everyday operations of the School District. The School District residents approved the levy with a 63 percent approval.

The biennial State budget resulted in no increased revenue for the School District for fiscal years 2018 and 2019. The School District has purchased two new buses, repaired and resealed the high school back parking lot, and intends to add a new multi-handicap unit at the Middle School for the 2017-2018 school year.

The School District will be negotiating both union contracts in the spring of 2018.

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.

River Valley Local School District
Statement of Net Position
June 30, 2017

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,670,300
Cash and Cash Equivalents with Fiscal Agent	395,080
Accounts Receivable	59,801
Intergovernmental Receivable	298,900
Due from External Parties	212
Prepaid Items	2,167
Materials and Supplies Inventory	37,770
Inventory Held for Resale	10,199
Property Taxes Receivable	8,073,393
Payment in Lieu of Taxes Receivable	285,390
Nondepreciable Capital Assets	971,089
Depreciable Capital Assets, Net	32,542,630
Total Assets	47,346,931
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	308,607
Pension	6,949,476
Total Deferred Outflows of Resources	7,258,083
<u>Liabilities:</u>	
Accounts Payable	65,643
Accrued Wages and Benefits Payable	1,618,968
Matured Compensated Absences Payable	10,226
Intergovernmental Payable	348,919
Accrued Interest Payable	61,131
Unearned Revenue	6,686
Claims Payable	148,535
Long-Term Liabilities:	
Due Within One Year	1,134,823
Due in More Than One Year	
Net Pension Liability	29,360,048
Other Amounts Due in More Than One Year	8,875,990
Total Liabilities	41,630,969
<u>Deferred Inflows of Resources:</u>	
Property Taxes	4,666,374
Payment in Lieu of Taxes	159,707
Pension	48,609
Total Deferred Inflows of Resources	4,874,690
<u>Net Position:</u>	
Net Investment in Capital Assets	24,692,974
Restricted For:	
Debt Service	1,212,757
Capital Projects	2,954
Classroom Facilities Maintenance	463,779
Other Purposes	371,071
Unrestricted (Deficit)	(18,644,180)
Total Net Position	\$8,099,355

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$11,712,276	\$3,115,201	\$200,030
Special	2,498,355	502,604	1,338,515
Vocational	381,950	0	147,505
Support Services:			
Pupils	997,013	0	1,915
Instructional Staff	503,021	0	0
Board of Education	16,309	0	0
Administration	1,996,749	0	0
Fiscal	565,986	0	0
Business	41,319	0	0
Operation and Maintenance of Plant	1,551,911	0	0
Pupil Transportation	1,335,930	11,897	21,810
Central	266,889	0	7,200
Non-Instructional Services	1,227,655	544,445	491,063
Extracurricular Activities	627,820	277,840	54,225
Interest and Fiscal Charges	417,019	0	0
Total Governmental Activities	<u>\$24,140,202</u>	<u>\$4,451,987</u>	<u>\$2,262,263</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

Net (Expense) Revenue
and Change in Net Position

Governmental
Activities

(\$8,397,045)
(657,236)
(234,445)

(995,098)
(503,021)
(16,309)
(1,996,749)
(565,986)
(41,319)
(1,551,911)
(1,302,223)
(259,689)
(192,147)
(295,755)
(417,019)

(17,425,952)

6,492,480
101,370
1,235,446
287,039
8,080,807
34,971
1,285
238,090

16,471,488

(954,464)

9,053,819

\$8,099,355

River Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2017

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,424,300	\$736,588	\$509,412	\$4,670,300
Accounts Receivable	22,555	0	37,246	59,801
Intergovernmental Receivable	33,631	0	265,269	298,900
Interfund Receivable	135,350	0	253,796	389,146
Due from External Parties	186	0	26	212
Prepaid Items	2,081	0	86	2,167
Materials and Supplies Inventory	35,016	0	2,754	37,770
Inventory Held for Resale	0	0	10,199	10,199
Property Taxes Receivable	6,705,831	1,264,954	102,608	8,073,393
Payment in Lieu of Taxes Receivable	285,390	0	0	285,390
Total Assets	<u>\$10,644,340</u>	<u>\$2,001,542</u>	<u>\$1,181,396</u>	<u>\$13,827,278</u>
<u>Liabilities:</u>				
Accounts Payable	\$30,420	\$0	\$35,223	\$65,643
Accrued Wages and Benefits Payable	1,512,680	0	106,288	1,618,968
Matured Compensated Absences Payable	10,226	0	0	10,226
Intergovernmental Payable	308,693	0	40,226	348,919
Interfund Payable	253,796	0	135,350	389,146
Unearned Revenue	0	0	6,686	6,686
Total Liabilities	<u>2,115,815</u>	<u>0</u>	<u>323,773</u>	<u>2,439,588</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	3,880,216	727,654	58,504	4,666,374
Payment in Lieu of Taxes	159,707	0	0	159,707
Unavailable Revenue	416,706	76,690	238,195	731,591
Total Deferred Inflows of Resources	<u>4,456,629</u>	<u>804,344</u>	<u>296,699</u>	<u>5,557,672</u>
<u>Fund Balances:</u>				
Nonspendable	37,097	0	2,840	39,937
Restricted	0	1,197,198	722,618	1,919,816
Assigned	2,297,529	0	0	2,297,529
Unassigned (Deficit)	1,737,270	0	(164,534)	1,572,736
Total Fund Balances	<u>4,071,896</u>	<u>1,197,198</u>	<u>560,924</u>	<u>5,830,018</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$10,644,340</u>	<u>\$2,001,542</u>	<u>\$1,181,396</u>	<u>\$13,827,278</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances \$5,830,018

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 33,513,719

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	49,434	
Intergovernmental Receivable	201,082	
Due from External Parties	212	
Delinquent Property Taxes Receivable	480,863	
	480,863	731,591

Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds. 308,607

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	(9,129,352)	
Compensated Absences Payable	(881,461)	
	(9,071,944)	(10,071,944)

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	6,949,476	
Deferred Inflows - Pension	(48,609)	
Net Pension Liability	(29,360,048)	
	(29,360,048)	(22,459,181)

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.

246,545

Net Position of Governmental Activities \$8,099,355

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$6,534,617	\$1,243,227	\$102,134	\$7,879,978
Payment in Lieu of Taxes	287,039	0	0	287,039
Intergovernmental	8,425,121	333,766	1,395,642	10,154,529
Interest	33,839	0	1,473	35,312
Tuition and Fees	3,626,443	0	0	3,626,443
Extracurricular Activities	4,445	0	335,637	340,082
Charges for Services	0	0	537,573	537,573
Gifts and Donations	1,285	0	6,915	8,200
Other	216,023	0	19,855	235,878
Total Revenues	<u>19,128,812</u>	<u>1,576,993</u>	<u>2,399,229</u>	<u>23,105,034</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	10,174,002	0	263,525	10,437,527
Special	1,887,133	0	430,178	2,317,311
Vocational	343,768	0	4,368	348,136
Support Services:				
Pupils	844,302	0	91,438	935,740
Instructional Staff	440,852	0	0	440,852
Board of Education	16,309	0	0	16,309
Administration	1,615,421	0	126,414	1,741,835
Fiscal	514,761	31,796	2,620	549,177
Business	41,319	0	0	41,319
Operation and Maintenance of Plant	1,533,805	0	11,835	1,545,640
Pupil Transportation	1,311,512	0	5,821	1,317,333
Central	261,789	0	0	261,789
Non-Instructional Services	0	0	1,127,564	1,127,564
Extracurricular Activities	19,624	0	410,066	429,690
Capital Outlay	0	0	230,936	230,936
Debt Service:				
Principal Retirement	82,077	295,000	0	377,077
Interest and Fiscal Charges	2,019	366,788	0	368,807
Accretion on Capital Appreciation Bonds	0	820,000	0	820,000
Total Expenditures	<u>19,088,693</u>	<u>1,513,584</u>	<u>2,704,765</u>	<u>23,307,042</u>
Excess of Revenues Over (Under) Expenditures	<u>40,119</u>	<u>63,409</u>	<u>(305,536)</u>	<u>(202,008)</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	2,000	0	0	2,000
Transfers In	0	0	45,000	45,000
Transfers Out	(45,000)	0	0	(45,000)
Total Other Financing Sources (Uses)	<u>(43,000)</u>	<u>0</u>	<u>45,000</u>	<u>2,000</u>
Changes in Fund Balances	(2,881)	63,409	(260,536)	(200,008)
Fund Balances at Beginning of Year	4,074,777	1,133,789	821,460	6,030,026
Fund Balances at End of Year	<u>\$4,071,896</u>	<u>\$1,197,198</u>	<u>\$560,924</u>	<u>\$5,830,018</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Changes in Fund Balances - Total Governmental Funds (\$200,008)

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	261,036	
Depreciation	(857,066)	
		(596,030)

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

Proceeds from Sale of Capital Assets	(2,000)	
Gain on Disposal of Capital Assets	2,000	
Loss on Disposal of Capital Assets	(29,534)	
		(29,534)

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

Delinquent Property Taxes	(50,682)	
Intergovernmental	130,928	
Tuition and Fees	3,259	
Extracurricular Activities	(13,017)	
Charges for Services	6,872	
Miscellaneous	212	
		77,572

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	295,000	
Capital Leases	82,077	
		377,077

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.

(75,185)

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.

Annual Accretion on Capital Appreciation Bonds	(52,509)	
Payment of Accretion on Capital Appreciation Bonds	820,000	
Amortization of Premium	16,837	
Amortization of Deferred Charge on Refunding	(12,540)	
		771,788

(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, 2017
 (continued)

Except for amounts reported as deferred outflow/inflows, changes in net pension liability are reported as pension expense on the statement of activities.		(\$2,774,311)
Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.		1,511,778
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	1,132	
Allocated to Activities	<u>(18,743)</u>	
		<u>(17,611)</u>
Change in Net Position of Governmental Activities		<u><u>(\$954,464)</u></u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$5,837,999	\$6,037,999	\$6,383,187	\$345,188
Payment in Lieu of Taxes	232,500	232,500	285,648	53,148
Intergovernmental	8,114,276	8,114,276	8,428,855	314,579
Interest	8,927	8,927	33,839	24,912
Tuition and Fees	3,069,384	3,494,384	3,628,874	134,490
Extracurricular Activities	7,500	7,500	4,445	(3,055)
Charge for Services	18,000	18,000	18,000	0
Gifts and Donations	11,000	11,000	1,035	(9,965)
Other	93,521	93,521	186,082	92,561
Total Revenues	<u>17,393,107</u>	<u>18,018,107</u>	<u>18,969,965</u>	<u>951,858</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,564,748	10,292,490	10,279,770	12,720
Special	1,903,148	1,912,825	1,873,645	39,180
Vocational	362,185	408,066	420,105	(12,039)
Support Services:				
Pupils	643,944	798,298	795,835	2,463
Instructional Staff	384,770	436,687	437,430	(743)
Board of Education	15,325	16,900	16,309	591
Administration	1,499,991	1,629,664	1,614,636	15,028
Fiscal	547,439	545,346	513,815	31,531
Business	44,712	44,712	53,874	(9,162)
Operation and Maintenance of Plant	1,559,784	1,557,660	1,508,835	48,825
Pupil Transportation	1,232,870	1,452,880	1,417,410	35,470
Central	145,306	218,173	273,823	(55,650)
Extracurricular Activities	13,827	20,918	19,624	1,294
Public School Support				
Regular	4,650	4,650	0	4,650
Pupils	55,494	55,494	49,323	6,171
Total Expenditures	<u>17,978,193</u>	<u>19,394,763</u>	<u>19,274,434</u>	<u>120,329</u>
Excess of Revenues				
Under Expenditures	(585,086)	(1,376,656)	(304,469)	1,072,187
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	1,050	1,050	2,000	950
Refund of Prior Year Expenditures	0	0	11,705	11,705
Advances In	0	0	30,275	30,275
Advances Out	0	(38,430)	(103,027)	(64,597)
Transfers Out	0	(45,000)	(45,000)	0
Total Other Financing Sources (Uses)	<u>1,050</u>	<u>(82,380)</u>	<u>(104,047)</u>	<u>(21,667)</u>
Changes in Fund Balance	(584,036)	(1,459,036)	(408,516)	1,050,520
Fund Balance at Beginning of Year	3,379,681	3,379,681	3,379,681	0
Prior Year Encumbrances Appropriated	118,193	118,193	118,193	0
Fund Balance at End of Year	<u>\$2,913,838</u>	<u>\$2,038,838</u>	<u>\$3,089,358</u>	<u>\$1,050,520</u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2017

	<u>Governmental Activity Internal Service</u>
<u>Current Assets:</u>	
Cash and Cash Equivalents with Fiscal Agent	\$395,080
<u>Current Liabilities:</u>	
Claims Payable	<u>148,535</u>
<u>Net Position:</u>	
Unrestricted	<u><u>\$246,545</u></u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activity
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$4,027,399
<u>Operating Expenses:</u>	
Purchased Services	724,457
Claims	3,321,685
Total Operating Expenses	4,046,142
Operating Loss	(18,743)
<u>Non-Operating Revenues:</u>	
Interest Revenue	1,132
Change in Net Position	(17,611)
Net Position at Beginning of Year	264,156
Net Position at End of Year	\$246,545

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	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	\$4,027,399
Cash Payments for Goods and Services	(724,457)
Cash Payments for Claims	(3,426,700)
Net Cash Used for Operating Activities	(123,758)
<u>Cash Flows from Investing Activities:</u>	
Cash Received from Interest	1,132
Net Decrease in Cash and Cash Equivalents	(122,626)
Cash and Cash Equivalents at Beginning of Year	517,706
Cash and Cash Equivalents at End of Year	\$395,080
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$18,743)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Changes in Assets and Liabilities:	
Decrease in Claims Payable	(105,015)
Net Cash Used for Operating Activities	(\$123,758)

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,250	\$60,277
<u>Liabilities:</u>		
Due to Students	0	\$50,702
Due to External Parties	0	212
Undistributed Assets	0	9,363
Total Liabilities	0	\$60,277
<u>Net Position:</u>		
Held in Trust for Scholarships	\$1,250	

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

<u>Additions:</u>	
Miscellaneous	\$3,000
 <u>Deductions:</u>	
Non-Instructional Services	<u>3,000</u>
Change in Net Position	0
Net Position at Beginning of Year	<u>1,250</u>
Net Position at End of Year	<u><u>\$1,250</u></u>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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-six classified employees, one hundred twenty-seven certified teaching personnel, and thirteen administrative employees who provide services to 2,022 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, payment in lieu of taxes, 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 15 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, 2017, but which were levied to finance fiscal year 2018 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, amounts due from external parties, 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 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 15 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 2017, 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 Accounting 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 NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given twenty-four hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant are combined for this purpose.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2017 was \$33,839, which includes \$5,169 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. 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.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

Description	Useful Lives
Land Improvements	15 - 40 years
Buildings and Building Improvements	10 - 75 years
Furniture, Fixtures, and Equipment	7 - 45 years
Vehicles	10 years

J. 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.

K. 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.

L. Compensated Absences

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, 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 are recognized as liabilities on the fund financial statements when due.

N. 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.

O. 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.

P. 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.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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 2018 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.

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.

Q. 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.

R. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

S. 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.

T. 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

For fiscal year 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures". GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

The School District also implemented GASB Implementation Guide No. 2016-1. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2017, the School Aged Child Care, CTAE, Title VI-B, Title I, and Miscellaneous Federal Grants special revenue funds had deficit fund balances, in the amount of \$80,232, \$490, \$43,917, \$28,858, and \$11,015, 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, 2017

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	(\$2,881)
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals:	
Accrued FY 2016, Received in Cash FY 2017	2,443,822
Accrued FY 2017, Not Yet Received in Cash	(2,590,964)
Expenditure Accruals:	
Accrued FY 2016, Paid in Cash FY 2017	(1,671,067)
Accrued FY 2017, Not Yet Paid in Cash	1,862,019
Prepaid Items	(2,081)
Materials and Supplies Inventory	17,653
Advances In	30,275
Advances Out	(103,027)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(392,265)
Budget Basis	(\$408,516)

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017

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, 2017, the fair value of funds on deposit with STAR Ohio was \$4,224,023. The School District's investments in STAR Ohio had an average maturity of 45.5 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, 2017, consisted of accounts (student fees and billings for user charged services), intergovernmental, interfund, amounts due from external parties, 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	
Bureau of Workers' Compensation	\$4,902
Department of Job and Family Services	28,719
Marion County	10
Total General Fund	33,631
Other Governmental Funds	
Food Service	895
School Aged Child Care	330
CTAE	4,196
Title VI-B	128,187
Title I	58,202
Improving Teacher Quality	1,453
Miscellaneous Federal Grants	72,006
Total Other Governmental Funds	265,269
Total Governmental Activities	\$298,900

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 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, 2017, 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, 2017, was \$2,427,694 in the General Fund, \$37,852 in the Classroom Facilities Maintenance special revenue fund, and \$460,610 in the Bond Retirement debt service fund. 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.

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, 2017

Note 8 - Property Taxes (continued)

The assessed values upon which fiscal year 2017 taxes were collected are:

	<u>2016 Second- Half Collections</u>		<u>2017 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$216,914,490	74.13%	\$230,502,620	74.84%
Industrial/Commercial	63,833,550	21.82	65,082,790	21.13
Public Utility	<u>11,840,620</u>	<u>4.05</u>	<u>12,423,520</u>	<u>4.03</u>
Total Assessed Value	<u>\$292,588,660</u>	<u>100.00%</u>	<u>\$308,008,930</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.62		\$38.43	

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 - Tax Abatements

The School District's property taxes were reduced as follows under community reinvestment area agreements entered into by overlapping governments.

<u>Overlapping Government</u>	<u>Amount of Fiscal Year 2017 Taxes Abated</u>
Community Reinvestment Area	
Marion County	\$114,182

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$971,089	\$0	\$0	\$971,089
Depreciable Capital Assets				
Land Improvements	970,122	56,992	0	1,027,114
Buildings and Building Improvements	39,515,652	0	0	39,515,652
Furniture, Fixtures, and Equipment	1,265,758	59,371	(54,524)	1,270,605
Vehicles	1,536,984	144,673	(115,816)	1,565,841
Total Depreciable Capital Assets	43,288,516	261,036	(170,340)	43,379,212
Less Accumulated Depreciation				
Land Improvements	(400,704)	(39,161)	0	(439,865)
Buildings and Building Improvements	(8,277,852)	(646,190)	0	(8,924,042)
Furniture, Fixtures, and Equipment	(584,081)	(53,111)	24,990	(612,202)
Vehicles	(857,685)	(118,604)	115,816	(860,473)
Total Accumulated Depreciation	(10,120,322)	(857,066)	140,806	(10,836,582)
Depreciable Capital Assets, Net	33,168,194	(596,030)	(29,534)	32,542,630
Governmental Activities Capital Assets, Net	\$34,139,283	(\$596,030)	(\$29,534)	\$33,513,719

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 11 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$331,824
Special	26,360
Vocational	10,527
Support Services:	
Instructional Staff	31,759
Administration	40,785
Operation and Maintenance of Plant	34,777
Pupil Transportation	126,033
Non-Instructional Services	71,855
Extracurricular Activities	183,146
Total Depreciation Expense	<u>\$857,066</u>

Note 12 - Interfund Assets/Liabilities

At June 30, 2017, the General Fund had an interfund receivable, in the amount of \$135,350, 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 \$253,796, from the General Fund for the House Bill 264 Energy Project. This amount is not expected to be repaid within one year.

Note 13 - 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 2017, 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	62,473,193
Vehicle Liability	5,000,000

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 13 - Risk Management (continued)

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 2017, 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, 2017, was estimated by the third party administrator at \$148,535.

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
2017	\$253,550	\$3,321,685	\$3,426,700	\$148,535
2016	176,263	2,326,333	2,249,046	253,550

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 14 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2018 are as follows:

General Fund	\$392,265
Other Governmental Funds	116,511

Note 15 - 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.

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.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

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.

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, 2017, 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 \$364,781 for fiscal year 2017. Of this amount, \$61,832 is reported as an intergovernmental payable.

Note 15 - Defined Benefit Pension Plans (continued)

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-six years of service credit, or thirty-one years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 percent is applied 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 after termination of employment at age fifty or later.

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.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

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, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased 1 percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,146,997 for fiscal year 2017. Of this amount, \$198,844 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2016, 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.

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.07719190%	0.06665381%	
Proportion of the Net Pension Liability Current Measurement Date	0.07603960	0.07108607	
Change in Proportionate Share	0.00115230%	0.00443226%	
Proportionate Share of the Net Pension Liability	\$5,565,398	\$23,794,650	\$29,360,048
Pension Expense	\$574,790	\$2,199,521	\$2,774,311

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

At June 30, 2017, 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	\$75,064	\$961,419	\$1,036,483
Changes of Assumptions	371,521	0	371,521
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	459,064	1,975,595	2,434,659
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	29,501	1,565,534	1,595,035
School District Contributions Subsequent to the Measurement Date	364,781	1,146,997	1,511,778
Total Deferred Outflows of Resources	<u>\$1,299,931</u>	<u>\$5,649,545</u>	<u>\$6,949,476</u>
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>\$48,609</u>	<u>\$0</u>	<u>\$48,609</u>

\$1,511,778 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ended June 30,			
2018	\$222,606	\$903,309	\$1,125,915
2019	222,274	903,308	1,125,582
2020	309,699	1,661,401	1,971,100
2021	131,962	1,034,530	1,166,492
Total	<u>\$886,541</u>	<u>\$4,502,548</u>	<u>\$5,389,089</u>

Actuarial Assumptions - SERS

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

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

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, 2016, compared with June 30, 2015, are presented below.

	June 30, 2016	June 30, 2015
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal	entry age normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00%</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 (7.5 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.

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 7.5 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$7,368,239	\$5,565,398	\$4,056,343

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, 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, including inflation
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, 2016, valuation are based on the results of an actuarial experience study effective July 1, 2012.

STRS' investment consultant develops an estimate range 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
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
	<u>100.00%</u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and, therefore, is not a weighted average return of the individual asset classes.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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 excluded. 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, 2016. 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, 2016.

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	\$31,621,157	\$23,794,650	\$17,192,531

Changes Between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's net pension liability is expected to be significant.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2017, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 16 - 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. SERS offers several types of health care plans from various vendors including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. 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 2017, the School District's surcharge obligation was \$44,788.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The School District's contribution for health care for the fiscal years ended June 30, 2017, 2016, and 2015 was \$0, \$0, and \$19,145, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System (STRS)

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) 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 partial 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 16 - Postemployment Benefits (continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary 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 fiscal years ended June 30, 2017, 2016, and 2015, STRS did not allocate any employer contributions to postemployment health care.

Note 17 - 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 Technology Association, respectively.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 18 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2008 School Improvement Refunding Bonds					
Serial Bonds - 4%	\$7,260,000	\$0	\$0	\$7,260,000	\$1,080,000
Capital Appreciation Bonds	295,000	0	295,000	0	0
Accretion on Capital Appreciation Bonds	767,491	52,509	820,000	0	0
Premium	431,189	0	16,837	414,352	0
FY2002 School Improvement Bonds 2.2-5.25%	1,455,000	0	0	1,455,000	0
Total General Obligation Bonds	<u>10,208,680</u>	<u>52,509</u>	<u>1,131,837</u>	<u>9,129,352</u>	<u>1,080,000</u>
Net Pension Liability					
SERS	4,404,645	1,160,753	0	5,565,398	0
STRS	18,421,163	5,373,487	0	23,794,650	0
Total Net Pension Liability	<u>22,825,808</u>	<u>6,534,240</u>	<u>0</u>	<u>29,360,048</u>	<u>0</u>
Compensated Absences Payable	806,276	108,348	33,163	881,461	54,823
Capital Leases Payable	82,077	0	82,077	0	0
Total Governmental Activities Long -Term Obligations	<u>\$33,922,841</u>	<u>\$6,695,097</u>	<u>\$1,247,077</u>	<u>\$39,370,861</u>	<u>\$1,134,823</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 matured and were paid on November 1, 2016.

As of June 30, 2017, the refunded bonds were fully retired.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 18 - 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.

There is no repayment schedule for the net pension liability; however, employer pension contributions are made from the General Fund and the Food Service, School Aged Child Care, Athletics and Music, CTAE, Title VI-B, Title I, and Miscellaneous Federal Grants special revenue funds.

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

The School District's overall debt margin was \$19,112,092 with an unvoted debt margin of \$295,888 at June 30, 2017.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017, were as follows:

Fiscal Year Ending	General Obligation Bonds		
	Serial	Interest	Total
2018	\$1,080,000	\$345,188	\$1,425,188
2019	1,130,000	300,988	1,430,988
2020	1,180,000	254,788	1,434,788
2021	1,235,000	206,488	1,441,488
2022	1,290,000	155,988	1,445,988
2023-2024	2,800,000	141,482	2,941,482
	\$8,715,000	\$1,404,922	\$10,119,922

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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:				
Prepaid Items	\$2,081	\$0	\$86	\$2,167
Materials and Supplies Inventory	35,016	0	2,754	37,770
Total Nonspendable	<u>37,097</u>	<u>0</u>	<u>2,840</u>	<u>39,937</u>
Restricted for:				
Athletics and Music	0	0	104,074	104,074
Debt Retirement	0	1,197,198	0	1,197,198
Food Service Operations	0	0	147,317	147,317
Network Connectivity	0	0	7,200	7,200
Permanent Improvements	0	0	2,954	2,954
Regular Instruction	0	0	2,996	2,996
School Facilities Maintenance	0	0	457,527	457,527
Vocational Instruction	0	0	550	550
Total Restricted	<u>0</u>	<u>1,197,198</u>	<u>722,618</u>	<u>1,919,816</u>
Assigned for:				
Educational Activities	42,036	0	0	42,036
Projected Budget Shortage	1,879,862	0	0	1,879,862
Unpaid Obligations	375,631	0	0	375,631
Total Assigned	<u>2,297,529</u>	<u>0</u>	<u>0</u>	<u>2,297,529</u>
Unassigned (Deficit)	<u>1,737,270</u>	<u>0</u>	<u>(164,534)</u>	<u>1,572,736</u>
Total Fund Balance	<u>\$4,071,896</u>	<u>\$1,197,198</u>	<u>\$560,924</u>	<u>\$5,830,018</u>

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.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 20 - Set Asides (continued)

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2017.

	Capital Improvements
Balance June 30, 2016	\$0
Current Year Set Aside Requirement	347,548
Current Year Offsets	(347,548)
Balance June 30, 2017	\$0

Note 21 - Interfund Transfers

During fiscal year 2017, 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 2017, the School District paid \$43,758 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.

Note 22 - Jointly Governed Organizations (continued)

C. Northwestern Ohio Educational Research Council, Inc.

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

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, 2017.

River Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 2017, traditional school districts must comply with minimum hours of instruction instead of 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 a result of the fiscal year 2017 reviews, the School District is due \$45,847 from ODE. This amount has not been included in the financial statements.

C. Litigation

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

Note 25 - Subsequent Event

On August 8, 2017 the School District issued general obligation bonds, in the amount of \$6,180,000, currently refund bonds previously issued for school improvements to buildings and facilities. The bonds have an interest rate of 1.946 percent and mature on November 1, 2022.

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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 Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07603960%	0.07719190%	0.07622500%	0.07622500%
School District's Proportionate Share of the Net Pension Liability	\$5,565,398	\$4,404,645	\$3,857,704	\$4,532,856
School District's Employee Payroll	\$2,373,164	\$2,334,736	\$2,043,580	\$2,147,931
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	234.51%	188.66%	188.77%	211.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 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 Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07108607%	0.06665381%	0.06337510%	0.06337510%
School District's Proportionate Share of the Net Pension Liability	\$23,794,650	\$18,421,163	\$15,413,171	\$18,360,069
School District's Employee Payroll	\$7,593,636	\$7,042,064	\$6,492,123	\$6,292,438
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	313.35%	261.59%	237.41%	291.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$364,781	\$332,243	\$307,718	\$308,722
Contributions in Relation to the Contractually Required Contribution	<u>(364,781)</u>	<u>(332,243)</u>	<u>(307,718)</u>	<u>(308,722)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,605,579	\$2,373,164	\$2,334,736	\$2,043,580
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.18%	15.11%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$281,379	\$268,236	\$264,983	\$272,144	\$193,421	\$183,871
<u>(281,379)</u>	<u>(268,236)</u>	<u>(264,983)</u>	<u>(272,144)</u>	<u>(193,421)</u>	<u>(183,871)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,147,931	\$2,112,094	\$2,243,717	\$2,129,452	\$2,127,844	\$2,007,325
13.10%	12.70%	11.81%	12.78%	9.09%	9.16%

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,146,997	\$1,063,109	\$985,889	\$843,976
Contributions in Relation to the Contractually Required Contribution	<u>(1,146,997)</u>	<u>(1,063,109)</u>	<u>(985,889)</u>	<u>(843,976)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$8,192,836	\$7,593,636	\$7,042,064	\$6,492,123
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$818,017	\$842,068	\$916,632	\$962,178	\$918,469	\$894,666
<u>(818,017)</u>	<u>(842,068)</u>	<u>(916,632)</u>	<u>(962,178)</u>	<u>(918,469)</u>	<u>(894,666)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,292,438	\$6,477,446	\$7,051,015	\$7,401,369	\$7,065,146	\$6,882,046
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

River Valley Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Amounts reported for fiscal year 2017 use morality assumptions that are based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used for the period after disability retirement.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR <i>Pass Through Grantor Program / Cluster Title</i>	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	\$ 60,613
Cash Assistance		
School Breakfast Program	10.553	93,714
National School Lunch Program	10.555	328,493
Total Child Nutrition Cluster		482,820
TOTAL U.S. DEPARTMENT OF AGRICULTURE		482,820
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through the Ohio Department of Education</i>		
Special Education Cluster:		
Special Education - Grants to States	84.027	251,198
Special Education - Preschool Grants	84.173	14,260
Total Special Education Cluster		265,458
Title I Grants to Local Educational Agencies	84.010	394,042
Improving Teacher Quality State Grants	84.367	56,664
Twenty-First Century Community Learning Centers	84.287	180,575
TOTAL U.S. DEPARTMENT OF EDUCATION		896,739
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 1,379,559

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, 2017**

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, 2017. 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 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 program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the River Valley Local School District, Marion County, Ohio, (the School District) as of and for the year ended June 30 2017, 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 February 14, 2018.

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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 14, 2018



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 the 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, 2017. 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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in findings 2017-001 and 2017-002 in the accompanying schedule of findings, the School District did not comply with requirements regarding special tests and provisions applicable to its Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, River Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2017

Unmodified Opinion on the Other Major Federal Program

In our opinion, River Valley Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2017.

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 a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings as items 2017-001 and 2017-002.

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

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 14, 2018

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**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

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?	Yes
(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 – Special Education Cluster Qualified – Child Nutrition Cluster
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster Special Education Cluster
(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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS			
Finding Number	2017-001		
CFDA Title and Number	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555		
Federal Award Identification Number / Year	2017		
Federal Agency	U.S. Department of Agriculture		
Compliance Requirement	Special Tests and Provisions – Paid Lunch Equity		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

Noncompliance and Material Weakness

7 CFR § 210.14(e) provides that for each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with a weighted average price calculation. Each school food authority shall determine the average price of paid lunches based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority. The School District must then calculate the difference between the per meal Federal reimbursement for paid and free lunches received in the previous school year. These amounts must then be compared and if the average paid lunch price is equal to/greater than the reimbursement difference, then the school food authority does not need to make any changes to their paid lunch price. If the average lunch price is lower than the reimbursement difference, the school food authority will need to adjust their price.

For fiscal year 2017, the School District completed the calculation; however, there was no change in the paid lunch prices as required by the calculation and the exemption filed with the Ohio Department of Education was denied.

If the School District is not charging the proper amount for paid lunches, the Food Service fund may not have sufficient funds.

We recommend the School District implement controls to ensure the paid lunch equity calculation is completed and paid lunch prices are adjusted accordingly so they can ensure they are in compliance with this requirement.

Officials' Response:

Refer to Corrective Action Plan.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)			
Finding Number	2017-002		
CFDA Title and Number	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555		
Federal Award Identification Number / Year	2017		
Federal Agency	U.S. Department of Agriculture		
Compliance Requirement	Special Tests and Provisions – Verification		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

Noncompliance and Material Weakness

7 C.F.R. §245.6a(c)(1) provides that local education agencies test a sample of household applications approved for free and reduced price meal benefits to verify eligibility of children. Furthermore, **7 C.F.R. §245.6a(e)** provides that prior to conducting any other verification activity, an individual, other than the individual who made the initial eligibility determination, shall review for accuracy each approved application selected for verification to ensure that the initial determination was correct. If the initial determination was incorrect, the local educational agency must:

- (A) If the eligibility status changes from reduced price to free, make the increased benefits immediately available and notify the household of the change in benefits; the local educational agency will then verify the application;
- (B) If the eligibility status changes from free to reduced price, first verify the application and then notify the household of the correct eligibility status after verification is completed and, if required, send the household a notice of adverse action; or
- (C) If the eligibility status changes from free or reduced to paid, send the household a notice of adverse action and do not conduct verification on this application and select a similar application to replace it.

Lastly, **7 C.F.R. §245.6a(b)** provides that the verification be completed by November 15th of each school year.

During fiscal year 2017, the School District performed the verification process by the required date of November 15th. However, it was noted that for one out of seven applications selected (14.3%), there was one application which should have been changed from “free” to “reduced”, however no change was made and the household was not notified of any adverse action.

Failure to properly update free and reduced status could result in the School District not charging the proper amount for lunches and in turn cause the School District to receive incorrect reimbursement from the Federal Government.

We recommend the School District properly update the free and reduced status during the yearly verification process.

Officials’ Response:

Refer to Corrective Action Plan.



VIKINGS

River Valley Local School District

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2017

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Superintendent

Cathryn Zimmer
Treasurer

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DISTRICT WEB ADDRESS:
www.rvk12.org

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The Paid Lunch equity form will be updated and completed by May 1 st . The District completed the fiscal year 2018 form in April 2017.	Completed for FY 2018	Brent Herdman
2017-002	The Food Services Coordinator sends verification letter on October 1 st , 2 nd notice by October 15 and phone call by October 25. Verification process will be completed by November 10, the system will be updated, and final determination letter will be sent November 10 to inform parent/guardian of final determination.	Completed for FY 2018	Brent Herdman



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 22, 2018