



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2018**



**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY  
JUNE 30, 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



## 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, 2018, 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.

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### **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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 3 to the financial statements, during 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

### **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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 this information 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 27, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

February 27, 2019

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River Valley Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited

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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, 2018. 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 2018 are as follows:

In total, net position increased \$10,303,374. Most of this increase is related to the decrease in the net pension/OPEB liabilities.

General revenues were \$17,068,121, or 68 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 2018. These statements include all assets and deferred outflows and liabilities and deferred inflows 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.

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Management's Discussion and Analysis  
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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 2018 and fiscal year 2017:

Table 1  
Net Position

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2018</u>	<u>2017</u>	
<u>Assets</u>			
Current and Other Assets	\$14,100,140	\$13,833,212	\$266,928
Capital Assets, Net	33,774,707	33,513,719	260,988
Total Assets	<u>47,874,847</u>	<u>47,346,931</u>	<u>527,916</u>
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	386,298	308,607	77,691
Pension	8,316,260	6,949,476	1,366,784
OPEB	395,762	44,787	350,975
Total Deferred Outflows of Resources	<u>9,098,320</u>	<u>7,302,870</u>	<u>1,795,450</u>

(continued)

River Valley Local School District  
Management's Discussion and Analysis  
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Table 1  
Net Position  
(continued)

	Governmental Activities		Change
	2018	2017	
<u>Liabilities</u>			
Current and Other Liabilities	\$2,571,429	\$2,260,108	(\$311,321)
Long-Term Liabilities			
Pension	22,161,092	29,360,048	7,198,956
OPEB	5,029,182	5,998,254	969,072
Other Amounts	8,713,175	10,010,813	1,297,638
Total Liabilities	<u>38,474,878</u>	<u>47,629,223</u>	<u>9,154,345</u>
<u>Deferred Inflows of Resources</u>			
Pension	768,172	48,609	(719,563)
OPEB	564,185	0	(564,185)
Other Amounts	4,716,670	4,826,081	109,411
Total Deferred Inflows of Resources	<u>6,049,027</u>	<u>4,874,690</u>	<u>(1,174,337)</u>
<u>Net Position</u>			
Net Investment in Capital Assets	26,413,889	24,692,974	1,720,915
Restricted	2,118,685	2,050,561	68,124
Unrestricted (Deficit)	<u>(16,083,312)</u>	<u>(24,597,647)</u>	<u>8,514,335</u>
Total Net Position	<u>\$12,449,262</u>	<u>2,145,888</u>	<u>\$10,303,374</u>

The net pension liability reported by the School District at June 30, 2018, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For fiscal year 2018, the School District adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

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GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statements No. 68 and No. 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in the net pension liability and the net OPEB liability, respectively, not accounted for as deferred outflows/inflows.

As a result of implementing GASB Statement No. 75, the School District is reporting a net OPEB liability and deferred outflows/inflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$8,099,355 to \$2,145,888.

Pension/OPEB related changes noted in the above table reflect an increase in deferred outflows and deferred inflows. The decrease in the net pension/OPEB liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension liability.

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Aside from the changes related to pension, the above table reflects few changes of significance. A combination of factors contributed to the increase in current and other liabilities; accounts payable increased largely due to utility charges that were unpaid as of fiscal year end, an increase in the intergovernmental payable due to resources owed to the Educational Service Center for services they provided to the School District, and outstanding claims owed at fiscal year end. The decrease in other long-term liabilities was related to debt retirement which also contributed to the increase in the net investment in capital assets.

Table 2 reflects the change in net position for fiscal year 2018 and fiscal year 2017.

Table 2  
Change in Net Position

	Governmental Activities		Change
	2018	2017	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$4,796,636	\$4,451,987	\$344,649
Operating Grants, Contributions, and Interest	2,158,621	2,262,263	(103,642)
Capital Grants and Contributions	955,181	0	955,181
Total Program Revenues	7,910,438	6,714,250	1,196,188
General Revenues			
Property Taxes Levied for General Purposes	6,640,235	6,492,480	147,755
Property Taxes Levied for Classroom Facilities Purposes	104,038	101,370	2,668
Property Taxes Levied for Debt Service Purposes	1,259,068	1,235,446	23,622
Payment in Lieu of Taxes	311,702	287,039	24,663
Grants and Entitlements	8,252,398	8,080,807	171,591
Interest	88,726	34,971	53,755
Gifts and Donations	0	1,285	(1,285)
Other	411,954	238,090	173,864
Total General Revenues	17,068,121	16,471,488	596,633
Total Revenues	24,978,559	23,185,738	1,792,821
<u>Expenses</u>			
Instruction:			
Regular	6,295,359	11,712,276	5,416,917
Special	1,526,168	2,498,355	972,187
Vocational	233,562	381,950	148,388
Support Services:			
Pupils	614,024	997,013	382,989
Instructional Staff	313,519	503,021	189,502
Board of Education	17,342	16,309	(1,033)
Administration	609,843	1,996,749	1,386,906
Fiscal	491,846	565,986	74,140
Business	46,609	41,319	(5,290)
Operation and Maintenance of Plant	1,351,380	1,551,911	200,531
Pupil Transportation	1,297,326	1,335,930	38,604
Central	232,062	266,889	34,827
Non-Instructional Services	1,096,819	1,227,655	130,836
Extracurricular Activities	513,679	627,820	114,141
Interest and Fiscal Charges	35,647	417,019	381,372
Total Expenses	14,675,185	24,140,202	9,465,017
Increase (Decrease) in Net Position	10,303,374	(954,464)	11,257,838
Net Position at Beginning of Year- Restated (See Note3)	2,145,888	n/a	n/a
Net Position at End of Year	\$12,449,262	\$2,145,888	(\$10,303,374)

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The information necessary to restate the fiscal year 2017 beginning balances and the fiscal year 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, fiscal year 2017 functional expenses still include OPEB expense of \$44,787 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the fiscal year 2018 financial statements report negative OPEB expense of \$699,660. Consequently, in order to compare fiscal year 2018 total program expenses to fiscal year 2017, the following adjustments are needed.

Total 2018 Program Expenses Under GASB Statement No. 75	\$14,675,185
Negative OPEB Expense Under GASB Statement No. 75	(699,660)
2018 Contractually Required Contribution	(56,202)
Adjusted 2018 Program Expenses	13,919,323
Total 2017 Program Expenses Under GASB Statement No. 45	(24,140,202)
Decrease in Program Expenses Not Related to OPEB	(\$10,220,879)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes including a reduction in the discount rate and also voted to suspend cost of living adjustments (COLA). SERS decreased the COLA assumption. See Note 15. As a result of these changes, pension expense decreased from \$2,774,311 in fiscal year 2017 to a negative pension expense of \$6,289,894 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows.

	2018 Program Expenses Related to Negative Pension Expense
<u>Expenses:</u>	
Instruction:	
Regular	(\$3,877,072)
Special	(714,968)
Vocational	(134,254)
Support Services:	
Pupils	(361,566)
Instructional Staff	(116,573)
Administration	(938,969)
Fiscal	(12,253)
Operation and Maintenance of Plant	(20,619)
Pupil Transportation	(23,813)
Central	(5,459)
Non-Instructional Services	(21,472)
Extracurricular Activities	(62,876)
Total Expenses	(\$6,289,894)

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Total revenues increased by almost 8 percent from the prior fiscal year. Program revenues increased from an increase in charges for services related to food service sales and from the school age child care program. Capital grants and contributions increased from capital assets contributed to the School District. The increase in general revenues was due to a modest increase in property taxes, an increase in unrestricted State foundation resources, and miscellaneous revenue.

Aside from the changes in expenses due to pension and OPEB, other changes were not significant.

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	
	2018	2017	2018	2017
Instruction:				
Regular	\$6,295,359	\$11,712,276	\$2,760,993	\$8,397,045
Special	1,526,168	2,498,355	(223,495)	657,236
Vocational	233,562	381,950	92,566	234,445
Support Services:				
Pupils	614,024	997,013	612,678	995,098
Instructional Staff	313,519	503,021	313,519	503,021
Board of Education	17,342	16,309	17,342	16,309
Administration	609,843	1,996,749	609,843	1,996,749
Fiscal	491,846	565,986	491,846	565,986
Business	46,609	41,319	46,609	41,319
Operation and Maintenance of Plant	1,351,380	1,551,911	396,199	1,551,911
Pupil Transportation	1,297,326	1,335,930	1,248,483	1,302,223
Central	232,062	266,889	224,862	259,689
Non-Instructional Services	1,096,819	1,227,655	(51,297)	192,147
Extracurricular Activities	513,679	627,820	188,952	295,755
Interest and Fiscal Charges	35,647	417,019	35,647	417,019
Total Expenses	<u>\$14,675,185</u>	<u>\$24,140,202</u>	<u>\$6,764,747</u>	<u>\$17,425,952</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Instruction costs are partially offset by tuition and fees and grants restricted for various instruction purposes. Non-instructional services costs are supported by cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

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**Governmental Funds Financial Analysis**

The School District's governmental funds are accounted for using the modified accrual basis of accounting.

The General Fund had a 6 percent increase in fund balance from the prior fiscal year. Revenues increased \$607,959, or 3 percent, primarily from property taxes, State foundation resources, and tuition. Expenditures increased \$510,609, or less than 3 percent, and generally related to salary and benefit changes.

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 2018, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget were not significant. The increase in actual revenues was generally due to property taxes, State foundation resources, and tuition as indicated previously. For expenditures, changes from the original budget to the final budget as well as from the final budget to actual expenditures were not significant.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2018, the School District had \$33,774,707 invested in capital assets (net of accumulated depreciation). Additions included land; baseball facilities consisting of restrooms, concessions stand, and pavilions; a pick-up truck, and two buses. Disposals included two buses. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

**Debt**

The School District's outstanding debt at June 30, 2018, included School Improvement general obligation bonds, in the amount of \$7,635,000. During fiscal year 2018, the School District currently refunded general obligation bonds which resulted in decreasing the aggregate debt service payments by \$366,998 and an economic gain of \$343,825. The School District's long-term obligations also include the net pension/OPEB liability, compensated absences, and capital leases. For further information regarding the School District's long-term obligations, refer to Notes 18 and 19 to the basic financial statements.



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For the Fiscal Year Ended June 30, 2018  
Unaudited

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**Current Issues**

Like most public school districts in Ohio, the River Valley Local School District relies on its property taxes along with state and federal aid to provide the funds to maintain its educational programs. The funding from state and federal governments has remained stagnate and the School District has had no major growth in residential or industrial property to generate an increase in revenue to offset the increase in operational costs. As a result, the school District will ask the voters for an earned income tax levy in either May or November 2019 and will review current expenditures to find cost saving measures that will have the least amount of impact on educational programs.

The State foundation dollars are currently allocated using the Bridge Formula. This formula is being reviewed and subject to change with the new incoming governor and his administration.

In conclusion, the River Valley Local School District has committed itself to financial excellence for many years.

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

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

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River Valley Local School District  
Statement of Net Position  
June 30, 2018

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,017,857
Cash and Cash Equivalents	
with Fiscal Agent	393,189
Accounts Receivable	84,689
Intergovernmental Receivable	252,434
Prepaid Items	32,207
Materials and Supplies Inventory	29,009
Inventory Held for Resale	8,452
Property Taxes Receivable	7,997,236
Payment in Lieu of Taxes Receivable	285,067
Nondepreciable Capital Assets	1,310,270
Depreciable Capital Assets, Net	32,464,437
Total Assets	47,874,847
 <u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	386,298
Pension	8,316,260
OPEB	395,762
Total Deferred Outflows of Resources	9,098,320
 <u>Liabilities:</u>	
Accounts Payable	106,164
Accrued Wages and Benefits Payable	1,632,563
Matured Compensated Absences Payable	785
Intergovernmental Payable	428,814
Accrued Interest Payable	32,775
Unearned Revenue	3,230
Claims Payable	367,098
Long-Term Liabilities:	
Due Within One Year	1,223,887
Due in More Than One Year	
Net Pension Liability	22,161,092
Net OPEB Liability	5,029,182
Other Amounts Due in More Than One Year	7,489,288
Total Liabilities	38,474,878
 <u>Deferred Inflows of Resources:</u>	
Property Taxes	4,584,423
Payment in Lieu of Taxes	132,247
Pension	768,172
OPEB	564,185
Total Deferred Inflows of Resources	6,049,027
 <u>Net Position:</u>	
Net Investment in Capital Assets	26,413,889
Restricted For:	
Debt Service	1,354,039
Classroom Facilities Maintenance	444,047
Other Purposes	320,599
Unrestricted (Deficit)	(16,083,312)
Total Net Position	\$12,449,262

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2018

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$6,295,359	\$3,337,377	\$196,989	\$0
Special	1,526,168	485,905	1,263,758	0
Vocational	233,562	0	140,996	0
Support Services:				
Pupils	614,024	0	1,346	0
Instructional Staff	313,519	0	0	0
Board of Education	17,342	0	0	0
Administration	609,843	0	0	0
Fiscal	491,846	0	0	0
Business	46,609	0	0	0
Operation and Maintenance of Plant	1,351,380	0	0	955,181
Pupil Transportation	1,297,326	10,473	38,370	0
Central	232,062	0	7,200	0
Non-Instructional Services	1,096,819	681,452	466,664	0
Extracurricular Activities	513,679	281,429	43,298	0
Interest and Fiscal Charges	35,647	0	0	0
Total Governmental Activities	<u>\$14,675,185</u>	<u>\$4,796,636</u>	<u>\$2,158,621</u>	<u>\$955,181</u>

General Revenues:

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

Change in Net Position

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

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue  
and Change in Net Position

Governmental  
Activities

	(\$2,760,993)
	223,495
	(92,566)
	(612,678)
	(313,519)
	(17,342)
	(609,843)
	(491,846)
	(46,609)
	(396,199)
	(1,248,483)
	(224,862)
	51,297
	(188,952)
	(35,647)
	<u>(6,764,747)</u>

	6,640,235
	104,038
	1,259,068
	311,702
	8,252,398
	88,726
	411,954
	<u>17,068,121</u>

	10,303,374
	2,145,888
	<u>\$12,449,262</u>

River Valley Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2018

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,675,200	\$849,816	\$492,841	\$5,017,857
Accounts Receivable	27,451	0	57,238	84,689
Intergovernmental Receivable	62,342	0	190,092	252,434
Interfund Receivable	71,387	0	203,796	275,183
Prepaid Items	30,934	0	1,273	32,207
Materials and Supplies Inventory	27,299	0	1,710	29,009
Inventory Held for Resale	92	0	8,360	8,452
Property Taxes Receivable	6,633,351	1,262,270	101,615	7,997,236
Payment in Lieu of Taxes Receivable	285,067	0	0	285,067
Total Assets	<u>\$10,813,123</u>	<u>\$2,112,086</u>	<u>\$1,056,925</u>	<u>\$13,982,134</u>
<u>Liabilities:</u>				
Accounts Payable	\$98,580	\$0	\$7,584	\$106,164
Accrued Wages and Benefits Payable	1,522,195	0	110,368	1,632,563
Matured Compensated Absences Payable	785	0	0	785
Intergovernmental Payable	390,765	0	38,049	428,814
Interfund Payable	203,796	0	71,387	275,183
Unearned Revenue	0	0	3,230	3,230
Total Liabilities	<u>2,216,121</u>	<u>0</u>	<u>230,618</u>	<u>2,446,739</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	3,801,839	725,272	57,312	4,584,423
Payment in Lieu of Taxes	132,247	0	0	132,247
Unavailable Revenue	346,351	62,270	126,735	535,356
Total Deferred Inflows of Resources	<u>4,280,437</u>	<u>787,542</u>	<u>184,047</u>	<u>5,252,026</u>
<u>Fund Balances:</u>				
Nonspendable	58,233	0	2,983	61,216
Restricted	0	1,324,544	683,842	2,008,386
Assigned	2,355,598	0	0	2,355,598
Unassigned (Deficit)	1,902,734	0	(44,565)	1,858,169
Total Fund Balances	<u>4,316,565</u>	<u>1,324,544</u>	<u>642,260</u>	<u>6,283,369</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$10,813,123</u>	<u>\$2,112,086</u>	<u>\$1,056,925</u>	<u>\$13,982,134</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, 2018

Total Governmental Fund Balances \$6,283,369

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. 33,774,707

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	52,425	
Intergovernmental Receivable	92,195	
Delinquent Property Taxes Receivable	390,736	
		535,356

Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds. 386,298

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

Accrued Interest Payable	(32,775)	
School Improvement Bonds Payable	(7,635,000)	
Compensated Absences Payable	(966,059)	
Capital Leases Payable	(112,116)	
		(8,745,950)

The net pension/OPEB 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	8,316,260	
Deferred Inflows - Pension	(768,172)	
Net Pension Liability	(22,161,092)	
Deferred Outflows - OPEB	395,762	
Deferred Inflows - OPEB	(564,185)	
Net OPEB Liability	(5,029,182)	
		(19,810,609)

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.

26,091

Net Position of Governmental Activities \$12,449,262

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, 2018

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$6,714,805	\$1,273,488	\$105,175	\$8,093,468
Payment in Lieu of Taxes	311,702	0	0	311,702
Intergovernmental	8,574,875	336,572	1,561,792	10,473,239
Interest	85,806	0	2,023	87,829
Tuition and Fees	3,830,867	0	0	3,830,867
Extracurricular Activities	4,350	0	320,426	324,776
Charges for Services	0	0	682,813	682,813
Gifts and Donations	0	0	1,346	1,346
Other	214,366	185,100	10,587	410,053
Total Revenues	<u>19,736,771</u>	<u>1,795,160</u>	<u>2,684,162</u>	<u>24,216,093</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	10,550,053	0	288,499	10,838,552
Special	2,038,005	0	427,438	2,465,443
Vocational	396,187	0	3,482	399,669
Support Services:				
Pupils	975,170	0	120,964	1,096,134
Instructional Staff	434,370	0	12,445	446,815
Board of Education	17,342	0	0	17,342
Administration	1,632,074	0	144,108	1,776,182
Fiscal	486,159	31,768	2,591	520,518
Business	46,609	0	0	46,609
Operation and Maintenance of Plant	1,364,539	0	30,395	1,394,934
Pupil Transportation	1,355,780	0	5,175	1,360,955
Central	238,061	0	51	238,112
Non-Instructional Services	500	0	1,071,213	1,071,713
Extracurricular Activities	24,969	0	407,562	432,531
Capital Outlay	0	0	133,903	133,903
Debt Service:				
Principal Retirement	39,484	1,080,000	0	1,119,484
Interest and Fiscal Charges	0	432,446	0	432,446
Total Expenditures	<u>19,599,302</u>	<u>1,544,214</u>	<u>2,647,826</u>	<u>23,791,342</u>
Excess of Revenues Over Expenditures	<u>137,469</u>	<u>250,946</u>	<u>36,336</u>	<u>424,751</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	600	0	0	600
Inception of Capital Lease	151,600	0	0	151,600
General Obligation Bonds Issued	0	6,180,000	0	6,180,000
Payment to Refunded Bond Escrow Agent	0	(6,303,600)	0	(6,303,600)
Transfers In	0	0	45,000	45,000
Transfers Out	(45,000)	0	0	(45,000)
Total Other Financing Sources (Uses)	<u>107,200</u>	<u>(123,600)</u>	<u>45,000</u>	<u>28,600</u>
Changes in Fund Balances	244,669	127,346	81,336	453,351
Fund Balances at Beginning of Year	4,071,896	1,197,198	560,924	5,830,018
Fund Balances at End of Year	<u>\$4,316,565</u>	<u>\$1,324,544</u>	<u>\$642,260</u>	<u>\$6,283,369</u>

See Accompanying Notes to the Basic Financial Statements



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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, 2018

Changes in Fund Balances - Total Governmental Funds \$453,351

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 outlay in the current fiscal year.

Capital Outlay - Depreciable Capital Assets	194,330	
Capital Contributions	955,181	
Depreciation	(888,523)	
		260,988

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 on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(600)	
Gain on Disposal of Capital Assets	600	
		0

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

Delinquent Property Taxes	(90,127)	
Intergovernmental	(108,887)	
Tuition and Fees	2,888	
Extracurricular Activities	(49)	
Charges for Services	(1,361)	
Miscellaneous	1,301	
		(196,235)

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

School Improvement Bonds	1,080,000	
Capital Leases	39,484	
Payment to Refunded Bond Escrow Agent	6,303,600	
		7,423,084

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net position. (151,600)

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

General Obligation Bonds		(6,180,000)
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(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, 2018  
 (continued)

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

Accrued Interest Payable	\$28,356	
Amortization of Premium	414,352	
Amortization of Deferred Charge on Refunding	(45,909)	
		396,799

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. (84,598)

Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.

Pension	6,289,894	
OPEB	699,660	
		6,989,554

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

Pension	1,556,283	
OPEB	56,202	
		1,612,485

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	2,920	
Allocated to Activities	(223,374)	
		(220,454)

Change in Net Position of Governmental Activities \$10,303,374

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$6,307,910	\$6,307,910	\$6,634,338	\$326,428
Payment in Lieu of Taxes	267,323	268,186	284,565	16,379
Intergovernmental	7,972,470	7,998,194	8,566,524	568,330
Interest	31,668	31,771	85,806	54,035
Tuition and Fees	3,396,082	3,407,039	3,831,479	424,440
Extracurricular Activities	4,160	4,173	4,350	177
Gifts and Donations	969	972	250	(722)
Other	200,896	201,373	160,947	(40,426)
<b>Total Revenues</b>	<b>18,181,478</b>	<b>18,219,618</b>	<b>19,568,259</b>	<b>1,348,641</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	10,899,018	10,825,392	10,578,195	247,197
Special	2,178,332	2,134,241	2,030,374	103,867
Vocational	422,484	428,873	406,445	22,428
<b>Support Services:</b>				
Pupils	902,876	903,664	903,893	(229)
Instructional Staff	458,868	467,265	442,949	24,316
Board of Education	22,412	28,069	18,129	9,940
Administration	1,666,614	1,665,389	1,647,999	17,390
Fiscal	560,155	558,516	490,715	67,801
Business	58,656	55,956	50,525	5,431
Operation and Maintenance of Plant	1,570,926	1,612,322	1,506,094	106,228
Pupil Transportation	1,295,359	1,306,325	1,304,118	2,207
Central	256,290	255,978	239,708	16,270
Non-Instructional Services	0	0	500	(500)
Extracurricular Activities	22,159	22,159	24,969	(2,810)
<b>Public School Support</b>				
Regular	2,000	2,000	0	2,000
Pupils	55,616	56,616	60,758	(4,142)
<b>Total Expenditures</b>	<b>20,371,765</b>	<b>20,322,765</b>	<b>19,705,371</b>	<b>617,394</b>
Excess of Revenues				
Under Expenditures	(2,190,287)	(2,103,147)	(137,112)	1,966,035
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	1,872	1,878	600	(1,278)
Refund of Prior Year Expenditures	10,955	10,990	31,702	20,712
Advances In	28,333	28,424	78,027	49,603
Advances Out	(80,000)	(80,000)	(119,308)	(39,308)
Transfers Out	(45,000)	(45,000)	(45,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(83,840)</b>	<b>(83,708)</b>	<b>(53,979)</b>	<b>29,729</b>
Changes in Fund Balance	(2,274,127)	(2,186,855)	(191,091)	1,995,764
Fund Balance at Beginning of Year	3,089,358	3,089,358	3,089,358	0
Prior Year Encumbrances Appropriated	392,265	392,265	392,265	0
<b>Fund Balance at End of Year</b>	<b>\$1,207,496</b>	<b>\$1,294,768</b>	<b>\$3,290,532</b>	<b>\$1,995,764</b>

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District  
Statement of Fund Net Position  
Proprietary Fund  
June 30, 2018

	Governmental Activity
	Internal Service
<u>Current Assets:</u>	
Cash and Cash Equivalents with Fiscal Agent	\$393,189
<u>Current Liabilities:</u>	
Claims Payable	367,098
<u>Net Position:</u>	
Unrestricted	\$26,091

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, 2018

	Governmental Activity
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$4,008,241
<u>Operating Expenses:</u>	
Purchased Services	770,210
Claims	3,461,405
Total Operating Expenses	4,231,615
Operating Loss	(223,374)
<u>Non-Operating Revenues:</u>	
Interest Revenue	2,920
Change in Net Position	(220,454)
Net Position at Beginning of Year	246,545
Net Position at End of Year	\$26,091

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, 2018

	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	\$4,008,241
Cash Payments for Goods and Services	(770,210)
Cash Payments for Claims	(3,242,842)
Net Cash Used for Operating Activities	(4,811)
<u>Cash Flows from Investing Activities:</u>	
Cash Received from Interest	2,920
Net Decrease in Cash and Cash Equivalents	(1,891)
Cash and Cash Equivalents at Beginning of Year	395,080
Cash and Cash Equivalents at End of Year	\$393,189
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$223,374)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Changes in Assets and Liabilities:	
Increase in Claims Payable	218,563
Net Cash Used for Operating Activities	(\$4,811)

See Accompanying Notes to the Basic Financial Statements

River Valley Local School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,250	\$85,124
<u>Liabilities:</u>		
Due to Students	0	\$74,878
Undistributed Assets	0	10,246
Total Liabilities	0	\$85,124
<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, 2018

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

See Accompanying Notes to the Basic Financial Statements

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River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**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 ninety-seven classified employees, one hundred twenty-seven certified teaching personnel, and fifteen administrative employees who provide services to 1,888 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 23 and 24 to the basic financial statements.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**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.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**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.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

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

**D. Basis of Accounting**

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

**Revenues - Exchange and Nonexchange Transactions**

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

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

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

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

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**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 OPEB and explained in Note 15 and Note 16 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, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Note 15 and Note 16 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 2018, 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 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, 2018

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

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million requiring the excess amount to be transacted the following business day(s) but only to the \$100 million limit. All accounts of the participant will be combined for this purpose.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2018 was \$85,806, which includes \$18,920 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, 2018, 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, 2018

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

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	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/OPEB liability and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as liabilities on the fund financial statements when due.

**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, 2018

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**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 2019 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 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. Capital Contributions**

Capital contributions arise from contributions of capital assets from outside sources.

**S. Interfund Transactions**

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

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

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

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

**T. Pension/Other Postemployment Benefits**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

**U. Estimates**

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

**Note 3 - Change in Accounting Principles and Restatement of Net Position**

For fiscal year 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 85, "Omnibus 2017", and related guidance from GASB Implementation Guide No. 2017-3, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

For fiscal year 2018, the School District also implemented GASB Implementation Guide No. 2017-1. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 3 - Change in Accounting Principles and Restatement of Net Position** (continued)

GASB Statement No. 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported.

Net Position June 30, 2017	\$8,099,355
Net OPEB Liability	(5,998,254)
Deferred Outflows - Payments Subsequent to the Measurement Date	<u>44,787</u>
Restated Net Position June 30, 2017	<u><u>\$2,145,888</u></u>

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

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 - Accountability**

At June 30, 2018, the School Aged Child Care, CTAE, Title VI-B, and Miscellaneous Federal Grants special revenue funds had deficit fund balances, in the amount of \$36,301, \$486, \$4,357, and \$3,016, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 5 - Budgetary Basis of Accounting** (continued)

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	\$244,669
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals:	
Accrued FY 2017, Received in Cash FY 2018	2,590,964
Accrued FY 2018, Not Yet Received in Cash	(2,727,774)
Expenditure Accruals:	
Accrued FY 2017, Paid in Cash FY 2018	(1,862,019)
Accrued FY 2018, Not Yet Paid in Cash	2,012,325
Prepaid Items	(28,853)
Materials and Supplies Inventory	7,717
Inventory Held for Resale	(92)
Advances In	78,027
Advances Out	(119,308)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(386,747)
Budget Basis	(\$191,091)

**Note 6 - Deposits and Investments**

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

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

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



River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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.

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

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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

Investments

As of June 30, 2018, the fair value of funds on deposit with STAR Ohio was \$3,861,320. The School District's investments in STAR Ohio had an average maturity of 48.9 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, 2018, consisted of accounts (student fees and billings for user charged services), intergovernmental, interfund, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except interfund and property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Fund	
General Fund	
Bureau of Workers' Compensation	\$44,453
Department of Job and Family Services	13,253
North Central Ohio Educational Service Center	3,694
Ridgedale Local School District	942
Total General Fund	62,342
Other Governmental Funds	
Food Service	1,251
School Aged Child Care	608
CTAE	3,863
Secondary Transition Grant	548
Title VI-B	112,246
Title I	61,446
Improving Teacher Quality	3,886
Miscellaneous Federal Grants	6,244
Total Other Governmental Funds	190,092
Total Governmental Activities	\$252,434

River Valley Local School District  
Notes to the Basic Financial Statements  
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**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 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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, 2018, are available to finance fiscal year 2018 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, 2018, 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, 2018, was \$2,508,161 in the General Fund, \$39,188 in the Classroom Facilities Maintenance special revenue fund, and \$474,728 in the Bond Retirement debt service fund. 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.

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, 2018

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

The assessed values upon which fiscal year 2018 taxes were collected are:

	<u>2017 Second- Half Collections</u>		<u>2018 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$230,502,620	74.84%	\$230,712,800	73.88%
Industrial/Commercial	65,082,790	21.13	68,613,710	21.97
Public Utility	<u>12,423,520</u>	<u>4.03</u>	<u>12,947,000</u>	<u>4.15</u>
Total Assessed Value	<u>\$308,008,930</u>	<u>100.00%</u>	<u>\$312,273,510</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.43		\$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 2018 Taxes Abated</u>
Community Reinvestment Area	
Marion County	\$127,233

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 11 - Capital Assets**

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

	Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$971,089	\$339,181	\$0	\$1,310,270
Depreciable Capital Assets				
Land Improvements	1,027,114	0	0	1,027,114
Buildings and Building Improvements	39,515,652	616,000	0	40,131,652
Furniture, Fixtures, and Equipment	1,270,605	13,755	(31,500)	1,252,860
Vehicles	1,565,841	180,575	(118,948)	1,627,468
Total Depreciable Capital Assets	43,379,212	810,330	(150,448)	44,039,094
Less Accumulated Depreciation				
Land Improvements	(439,865)	(39,398)	0	(479,263)
Buildings and Building Improvements	(8,924,042)	(676,990)	0	(9,601,032)
Furniture, Fixtures, and Equipment	(612,202)	(54,432)	31,500	(635,134)
Vehicles	(860,473)	(117,703)	118,948	(859,228)
Total Accumulated Depreciation	(10,836,582)	(888,523)	150,448	(11,574,657)
Depreciable Capital Assets, Net	32,542,630	(78,193)	0	32,464,437
Governmental Activities Capital Assets, Net	\$33,513,719	\$260,988	\$0	\$33,774,707

During fiscal year 2018, the School District accepted contributions of capital assets from outside sources with a fair value of \$955,181.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**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	31,569
Administration	72,222
Operation and Maintenance of Plant	34,560
Pupil Transportation	125,191
Non-Instructional Services	71,856
Extracurricular Activities	184,414
Total Depreciation Expense	<u>\$888,523</u>

**Note 12 - Interfund Assets/Liabilities**

At June 30, 2018, the General Fund had an interfund receivable, in the amount of \$71,387, 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 \$203,796, from the General Fund for the House Bill 264 Energy Project. The School District intends to make payments of \$50,000 each year until paid off.

**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 2018, 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	63,410,291
Vehicle Liability	5,000,000

River Valley Local School District  
Notes to the Basic Financial Statements  
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**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 2018, 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, 2018, was estimated by the third party administrator at \$367,098.

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
2018	\$148,535	\$3,461,405	\$3,242,842	\$367,098
2017	253,550	3,321,685	3,426,700	148,535

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**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 2019 are as follows:

General Fund	\$386,747
Other Governmental Funds	27,662

**Note 15 - Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

**Net Pension Liability**

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability represents the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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 and OPEB.

GASB Statements No. 68 and No. 75 assume 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 pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide health care to eligible benefit recipients.



River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 15 - Defined Benefit Pension Plans** (continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB 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. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description - School District nonteaching 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](http://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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 15 - Defined Benefit Pension Plans** (continued)

The School District's contractually required contribution to SERS was \$353,315 for fiscal year 2018. Of this amount, \$61,413 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://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. Effective July 1, 2017, the cost of living adjustment was reduced to zero. 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 goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity 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, 2018

**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 to 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, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,202,968 for fiscal year 2018. Of this amount, \$223,592 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.07603960%	0.07108607%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.07951320%</u>	<u>0.07329066%</u>	
Change in Proportionate Share	<u>0.00347360%</u>	<u>0.00220459%</u>	
Proportionate Share of the Net Pension Liability	\$4,750,739	\$17,410,353	\$22,161,092
Pension Expense	(\$137,105)	(\$6,152,789)	(\$6,289,894)

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 15 - Defined Benefit Pension Plans** (continued)

At June 30, 2018, 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>
<b>Deferred Outflows of Resources</b>			
Differences Between Expected and Actual Experience	\$204,455	\$672,306	\$876,761
Changes of Assumptions	245,664	3,807,836	4,053,500
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	176,938	1,652,778	1,829,716
School District Contributions Subsequent to the Measurement Date	<u>353,315</u>	<u>1,202,968</u>	<u>1,556,283</u>
Total Deferred Outflows of Resources	<u>\$980,372</u>	<u>\$7,335,888</u>	<u>\$8,316,260</u>
<b>Deferred Inflows of Resources</b>			
Differences Between Expected and Actual Experience	\$0	\$140,321	\$140,321
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	22,551	574,562	597,113
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>30,738</u>	<u>0</u>	<u>30,738</u>
Total Deferred Inflows of Resources	<u>\$53,289</u>	<u>\$714,883</u>	<u>\$768,172</u>

\$1,556,283 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, 2019. 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,			
2019	\$238,462	\$1,353,264	\$1,591,726
2020	330,202	2,134,867	2,465,069
2021	115,852	1,494,373	1,610,225
2022	<u>(110,748)</u>	<u>435,533</u>	<u>324,785</u>
Total	<u>\$573,768</u>	<u>\$5,418,037</u>	<u>\$5,991,805</u>

**Note 15 - Defined Benefit Pension Plans** (continued)

**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 terminations). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2017, are presented below.

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

Prior to 2017, an assumption of 3 percent was used for COLA and Ad Hoc COLA.

For 2017, the 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. Mortality among service retired members and beneficiaries were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on the RP-2000 Disabled Mortality Table; 90 percent for male rates and 100 percent for female rates, set back five years is 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  
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**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. 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	\$6,592,790	\$4,750,739	\$3,207,644

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 15 - Defined Benefit Pension Plans** (continued)

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2017, actuarial valuation compared with July 1, 2016, are presented below.

	<u>July 1, 2017</u>	<u>July 1, 2016</u>
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	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

For the July 1, 2017, actuarial valuation, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table projected forward generationally using Mortality Improvement Scale MP-2016.

For the July 1, 2016, actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were 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 July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 2, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience effective July 1, 2012.

River Valley Local School District  
Notes to the Basic Financial Statements  
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**Note 15 - Defined Benefit Pension Plans** (continued)

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.

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
	<u>100.00%</u>	

\*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a thirty year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$24,957,149	\$17,410,353	\$11,053,309



**Note 15 - Defined Benefit Pension Plans** (continued)

**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, 2018, two 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**

See Note 15 for a description of the net OPEB liability.

**School Employees Retirement System (SERS)**

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of sixty-five and, therefore, enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by State statute. 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](http://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.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 16 - Postemployment Benefits** (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and 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 2018, .5 percent of covered payroll was made 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 2018, this amount was \$23,700. 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 2018, the School District's surcharge obligation was \$43,116.

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 contractually required contribution to SERS was \$56,202 for fiscal year 2018. Of this amount, \$45,391 is reported as an intergovernmental payable.

**State Teachers Retirement System (STRS)**

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing health care plan for eligible retirees who participated in the defined benefit and 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. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

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, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to postemployment health care.

**Net OPEB Liability**

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

River Valley Local School District  
Notes to the Basic Financial Statements  
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**Note 16 - Postemployment Benefits** (continued)

Following is information related to the proportionate share and OPEB expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	.07706200%	.07108607%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>.08084430%</u>	<u>.07329066%</u>	
Change in Proportionate Share	<u>.00378230%</u>	<u>.00220459%</u>	
Proportionate Share of the Net OPEB Liability	\$2,169,649	\$2,859,533	\$5,029,182
OPEB Expense	\$156,071	(\$855,731)	(\$699,660)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences Between Expected and Actual Experience	\$0	\$165,070	\$165,070
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	73,431	101,059	174,490
School District Contributions Subsequent to the Measurement Date	<u>56,202</u>	<u>0</u>	<u>56,202</u>
Total Deferred Outflows of Resources	<u>\$129,633</u>	<u>\$266,129</u>	<u>\$395,762</u>
<b>Deferred Inflows of Resources</b>			
Changes of Assumptions	\$205,888	\$230,344	\$436,232
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	<u>5,730</u>	<u>122,223</u>	<u>127,953</u>
Total Deferred Inflows of Resources	<u>\$211,618</u>	<u>\$352,567</u>	<u>\$564,185</u>

\$56,202 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 16 - Postemployment Benefits** (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Fiscal Year Ended June 30,	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$49,424)	(\$24,592)	(\$74,016)
2020	(49,424)	(24,592)	(74,016)
2021	(37,907)	(24,592)	(62,499)
2022	(1,432)	(24,592)	(26,024)
2023	0	5,964	5,964
2024	0	5,966	5,966
Total	<u>(\$138,187)</u>	<u>(\$86,438)</u>	<u>(\$224,625)</u>

**Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74 as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are subject to continual review and potential modification as actual results are compared with past expectations and new estimates are made about the future.

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

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

River Valley Local School District  
Notes to the Basic Financial Statements  
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**Note 16 - Postemployment Benefits** (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below.

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.5 to 5 percent
Pre-Medicare	7.5 to 5 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates and the RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates, set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 16 - Postemployment Benefits** (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index Rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rate - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) or one percentage point higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4 percent) and one percentage point higher (8.5 percent decreasing to 6 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	\$2,620,127	\$2,169,649	\$1,812,755
	1% Decrease (6.5% Decreasing to 4%)	Current Trend Rate (7.53% Decreasing to 5%)	1% Increase (8.5% Decreasing to 6%)
School District's Proportionate Share of the Net OPEB Liability	\$1,760,507	\$2,169,649	\$2,711,154

River Valley Local School District  
Notes to the Basic Financial Statements  
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**Note 16 - Postemployment Benefits** (continued)

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below.

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)", and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B reimbursements was extended to January 2020.

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Notes to the Basic Financial Statements  
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**Note 16 - Postemployment Benefits** (continued)

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the Health Care Fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer Twenty-Year Municipal Bond Rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer Twenty-Year Municipal Bond Rate of 3.58 percent for the unfunded benefit payments was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long-term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer Twenty-Year Municipal Bond Rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.16%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	\$3,838,875	\$2,859,533	\$2,085,530
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$1,986,680	\$2,859,533	\$4,008,306



River Valley Local School District  
Notes to the Basic Financial Statements  
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**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 fifty 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 Grady Enterprises, respectively.

**Note 18 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Restated Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2018 School Improvement Refunding Bonds					
Term Bonds - 1.946%	\$0	\$6,180,000		\$ 6,180,000	\$1,145,000
FY2008 School Improvement Refunding Bonds					
Serial Bonds - 4%	7,260,000	0	7,260,000	0	0
Premium	414,352	0	414,352	0	0
FY2002 School Improvement Bonds 2.2-5.25%	1,455,000	0	0	1,455,000	0
Total General Obligation Bonds	<u>9,129,352</u>	<u>6,180,000</u>	<u>7,674,352</u>	<u>7,635,000</u>	<u>1,145,000</u>

(continued)

River Valley Local School District  
Notes to the Basic Financial Statements  
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**Note 18 - Long-Term Obligations** (continued)

	Restated Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18	Amounts Due Within One Year
Governmental Activities (continued)					
Net Pension Liability					
SERS	\$5,565,398	\$0	\$814,659	\$4,750,739	\$0
STRS	23,794,650	0	6,384,297	17,410,353	0
Total Net Pension Liability	<u>29,360,048</u>	<u>0</u>	<u>7,198,956</u>	<u>22,161,092</u>	<u>0</u>
Net OPEB Liability					
SERS	2,196,552	0	26,903	2,169,649	0
STRS	3,801,702	0	942,169	2,859,533	0
Total Net OPEB Liability	<u>5,998,254</u>	<u>0</u>	<u>969,072</u>	<u>5,029,182</u>	<u>0</u>
Compensated Absences Payable	881,461	98,694	14,096	966,059	42,542
Capital Leases Payable	0	151,600	39,484	112,116	36,345
Total Governmental Activities Long -Term Obligations	<u>\$45,369,115</u>	<u>\$6,430,294</u>	<u>\$15,895,960</u>	<u>\$35,903,449</u>	<u>\$1,223,887</u>

FY 2018 School Improvement Refunding Bonds - On August 8, 2017, the School District issued bonds, in the amount of \$6,180,000, to currently refund bonds previously issued in fiscal year 2008 for the construction of two elementary schools, a middle school, and a high school. The refunding bonds are term bonds. The bonds were issued for a five year period, with final maturity in fiscal year 2023. The bonds are being retired through the Bond Retirement debt service fund.

The net proceeds of the refunding bond issue, in the amount of \$6,303,600, were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the FY 2008 School Improvement Refunding Bonds. As a result, \$7,260,000 of the FY 2008 School Improvement Refunding Bonds are considered to be defeased and the liability for the bonds has been removed from the School District's financial statements.

Although the refunding will result in the recognition of an accounting loss of \$123,600, the School District in effect decreased its aggregate debt service payments by \$366,998 over the next 5 years and had an economic gain (difference between present values of the old and new debt service payments) of \$343,825.

River Valley Local School District  
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**Note 18 - Long-Term Obligations** (continued)

The term bonds are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 of the years and in the respective principal amounts as follows:

Year	Amount
2018	\$1,145,000
2019	1,210,000
2020	1,240,000
2021	1,275,000

The remaining principal, in the amount of \$1,310,000, will be paid at stated maturity on November 1, 2022.

The refunded bonds were fully retired on November 1, 2017.

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 included serial and capital appreciation bonds, in the original amount of \$8,960,000 and \$295,000, respectively.

The capital appreciation bonds were retired on November 1, 2016. The remaining serial bonds were currently refunded during fiscal year 2018.

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/OPEB 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, and Title I 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 \$20,655,745 with an unvoted debt margin of \$299,624 at June 30, 2018.

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 18 - Long-Term Obligations** (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2018, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Term	Serial	Interest	Total
2019	\$0	\$1,145,000	\$185,510	\$1,330,510
2020	0	1,210,000	162,596	1,372,596
2021	0	1,240,000	138,757	1,378,757
2022	0	1,275,000	114,286	1,389,286
2023	0	1,310,000	89,134	1,399,134
2024	1,455,000	0	38,194	1,493,194
	<u>\$1,455,000</u>	<u>\$6,180,000</u>	<u>\$728,477</u>	<u>\$8,363,477</u>

**Note 19 - Capital Leases - Lessee Disclosure**

The School District has entered into capitalized leases for school buses. New capital leases are reflected in the accounts “Pupil Transportation” and “Inception of Capital Lease” in the fund which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in fiscal year 2018 were \$39,484.

	Governmental Activities
Property under Capital Lease	\$151,600
Less Accumulated Depreciation	(11,370)
Total June 30, 2018	<u>\$140,230</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018.

Year	Governmental Activities	
	Principal	Interest
2019	\$36,345	\$3,139
2020	37,362	2,122
2021	38,409	1,075
Total	<u>\$112,116</u>	<u>\$6,336</u>

River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 20 - 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	\$30,934	\$0	\$1,273	\$32,207
Materials and Supplies Inventory	27,299	0	1,710	29,009
Total Nonspendable	58,233	0	2,983	61,216
Restricted for:				
Athletics and Music	0	0	63,094	63,094
Debt Retirement	0	1,324,544	0	1,324,544
Food Service Operations	0	0	177,464	177,464
Regular Instruction	0	0	3,662	3,662
School Facilities Maintenance	0	0	438,932	438,932
Special Instruction	0	0	140	140
Vocational Instruction	0	0	550	550
Total Restricted	0	1,324,544	683,842	2,008,386
Assigned for:				
Educational Activities	38,738	0	0	38,738
Projected Budget Shortage	2,070,564	0	0	2,070,564
Unpaid Obligations	246,296	0	0	246,296
Total Assigned	2,355,598	0	0	2,355,598
Unassigned (Deficit)	1,902,734	0	(44,565)	1,858,169
Total Fund Balance	\$4,316,565	\$1,324,544	\$642,260	\$6,283,369

**Note 21 - 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, 2018

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**Note 21 - Set Asides** (continued)

The following cash basis information identifies the change in the fund balance set aside for capital improvements during fiscal year 2018.

	Capital Improvements
Balance June 30, 2017	\$0
Current Year Set Aside Requirement	357,199
Current Year Offsets	(357,199)
Balance June 30, 2018	\$0

**Note 22 - Interfund Transfers**

During fiscal year 2018, the General Fund made transfers to other governmental funds, in the amount of \$45,000, to subsidize operations in other funds.

**Note 23 - 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 2018, the School District paid \$34,060 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 23 - 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 24 - 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 24 - 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 25 - 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, 2018.



River Valley Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 25 - Contingencies** (continued)

**B. School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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 2018 review, the School District is due \$21,377 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.

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 Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07951320%	0.07603960%	0.07719190%	0.07622500%	0.07622500%
School District's Proportionate Share of the Net Pension Liability	\$4,750,739	\$5,565,398	\$4,404,645	\$3,857,704	\$4,532,856
School District's Employee Payroll	\$2,605,579	\$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	182.33%	234.51%	188.66%	188.77%	211.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	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.

See Accompanying Notes to the Required Supplementary Information

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

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	2018	2017
School District's Proportion of the Net OPEB Liability	0.08084430%	0.07706200%
School District's Proportionate Share of the Net OPEB Liability	\$2,169,649	\$2,196,552
School District's Employee Payroll	\$2,605,579	\$2,373,164
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	83.27%	92.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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 Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07329066%	0.07108607%	0.06665381%	0.06337510%	0.06337510%
School District's Proportionate Share of the Net Pension Liability	\$17,410,353	\$23,794,650	\$18,421,163	\$15,413,171	\$18,360,069
School District's Employee Payroll	\$8,192,836	\$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	212.51%	313.35%	261.59%	237.41%	291.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	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.

See Accompanying Notes to the Required Supplementary Information

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

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.07329066%	0.07108607%
School District's Proportionate Share of the Net OPEB Liability	\$2,859,533	\$3,801,702
School District's Employee Payroll	\$8,192,836	\$7,593,636
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	34.90%	50.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$353,315	\$364,781	\$332,243	\$307,718
Contributions in Relation to the Contractually Required Contribution	<u>(353,315)</u>	<u>(364,781)</u>	<u>(332,243)</u>	<u>(307,718)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll (1)	\$2,617,148	\$2,605,579	\$2,373,164	\$2,334,736
Pension Contributions as a Percentage of Employee Payroll	13.50%	14.00%	14.00%	13.18%
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$56,202	\$44,787	\$39,012	\$59,843
Contributions in Relation to the Contractually Required Contribution	<u>(56,202)</u>	<u>(44,787)</u>	<u>(39,012)</u>	<u>(59,843)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>2.15%</u>	<u>1.72%</u>	<u>1.64%</u>	<u>2.56%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>15.65%</u>	<u>15.72%</u>	<u>15.64%</u>	<u>15.74%</u>

(1) The School District's covered payroll is the same for Pension and OPEB

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$283,240	\$297,274	\$284,077	\$282,035	\$288,328	\$209,380
<u>(283,240)</u>	<u>(297,274)</u>	<u>(284,077)</u>	<u>(282,035)</u>	<u>(288,328)</u>	<u>(209,380)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,043,580	\$2,147,931	\$2,112,094	\$2,243,717	\$2,129,452	\$2,127,844
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
\$40,498	\$41,307	\$53,859	\$76,009	\$42,994	\$131,075
<u>(40,498)</u>	<u>(41,307)</u>	<u>(53,859)</u>	<u>(76,009)</u>	<u>(42,994)</u>	<u>(131,075)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.98%</u>	<u>1.92%</u>	<u>2.55%</u>	<u>3.39%</u>	<u>2.02%</u>	<u>6.16%</u>
<u>15.84%</u>	<u>15.76%</u>	<u>16.00%</u>	<u>15.96%</u>	<u>15.56%</u>	<u>16.00%</u>

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,202,968	\$1,146,997	\$1,063,109	\$985,889
Contributions in Relation to the Contractually Required Contribution	<u>(1,202,968)</u>	<u>(1,146,997)</u>	<u>(1,063,109)</u>	<u>(985,889)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$8,592,629	\$8,192,836	\$7,593,636	\$7,042,064
Pension Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See Accompanying Notes to the Required Supplementary Information



<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$843,976	\$818,017	\$842,068	\$916,632	\$962,178	\$918,469
<u>(843,976)</u>	<u>(818,017)</u>	<u>(842,068)</u>	<u>(916,632)</u>	<u>(962,178)</u>	<u>(918,469)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,492,123	\$6,292,438	\$6,477,446	\$7,051,015	\$7,401,369	\$7,065,146
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$64,921	\$62,924	\$64,774	\$70,510	\$74,014	\$70,651
<u>(64,921)</u>	<u>(62,924)</u>	<u>(64,774)</u>	<u>(70,510)</u>	<u>(74,014)</u>	<u>(70,651)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

River Valley Local School District  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018

**Net Pension Liability**

Changes in Assumptions - SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported 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

Beginning with fiscal year 2017, mortality assumptions use mortality rates that 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. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below.

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	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

River Valley Local School District  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018

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For fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

**Net OPEB Liability**

**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate	
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

**Changes in Assumptions - STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)", and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	\$ 61,017
Cash Assistance		
School Breakfast Program	10.553	88,787
National School Lunch Program	10.555	308,118
Total Child Nutrition Cluster		457,922
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b>457,922</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through the Ohio Department of Education</i>		
Special Education Cluster:		
Special Education - Grants to States	84.027	378,405
Special Education - Preschool Grants	84.173	8,038
Total Special Education Cluster		386,443
Title I Grants to Local Educational Agencies	84.010	334,345
Supporting Effective Instruction State Grants	84.367	50,743
Twenty-First Century Community Learning Centers	84.287	220,005
English Language Acquisition State Grants	84.365	18
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>991,554</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 1,449,476</b>

*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, 2018**

**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) under programs of the federal government for the year ended June 30, 2018. 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.

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2018 to 2019 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$2,597

# OHIO AUDITOR OF STATE KEITH FABER



## 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, (the School District) as of and for the year ended June 30, 2018, 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 27, 2019, wherein we noted the School District adopted Governmental Accounting Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

### ***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

February 27, 2019





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE 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 the Major Federal Program***

We have audited the River Valley Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the River Valley Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

***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 the School District's major federal program 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 the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the River Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2018-001. Our opinion on the major federal program is not modified with respect to this matter.

The School District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### ***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 the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2018-001.

River Valley Local School District  
Marion County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to the Major Federal Program and on Internal Control  
Over Compliance Required by the Uniform Guidance  
Page 3

The School District's response to the internal control over compliance finding we identified is described in the accompanying corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.



Keith Faber  
Auditor of State

Columbus, Ohio

February 27, 2019

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**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	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, 2018  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2018-001		
<b>CFDA Title and Number</b>	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555		
<b>Federal Award Identification Number / Year</b>	2018		
<b>Federal Agency</b>	U.S. Department of Agriculture		
<b>Compliance Requirement</b>	Eligibility		
<b>Pass-Through Entity</b>	Ohio Department of Education		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Finding Number (if repeat)</b>	N/A

**Noncompliance and Significant Deficiency**

**7 C.F.R. § 245.6(a)** provides that each local educational agency participating in the National School Lunch Program, School Breakfast Program, Special Milk Program, or a commodity only school, shall provide meal benefit forms for use by families in making application for free or reduced price meals or free milk for their children. Furthermore, **7 C.F.R. § 245.6(c)(4)** provides the local educational agency must use the income information provided by the household on the application to calculate the household’s total current income. When a household submits an application containing complete documentation and the household’s total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in § 245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

Of the applications tested for fiscal year 2018, the benefits on 4% (1/25) of the applications approved by the School District’s Food Service Director were incorrectly calculated based on the household’s total current income and the income eligibility limits.

Failure to properly calculate household income could result in incorrect eligibility determinations and therefore the School District being incorrectly reimbursed by the federal government.

The School District should review procedures for determining eligibility and implement additional control practices which will ensure eligibility is properly and accurately determined based on applicable criteria.

**Officials’ Response:**

Refer to Corrective Action Plan



VIKINGS

# River Valley Local School District

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2018**

**James P. Peterson**  
 Superintendent

**Cathryn Zimmer**  
 Treasurer

**River Valley Administration**  
 197 Brocklesby Rd.  
 Caledonia, Ohio 43314  
 TEL (740) 725-5400  
 FAX (740) 725-5499

**River Valley High School**  
 David J. Coleman, Principal  
 4280 Marion-Mt. Gilead Rd.  
 Caledonia, Ohio 43314  
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 FAX (740) 725-5899

**River Valley Middle School**  
 Donald W. Giebe, Principal  
 4334 Marion-Mt. Gilead Rd.  
 Caledonia, Ohio 43314  
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 FAX (740) 725-5799

**Heritage Elementary School**  
 Melanie S. Comstock, Principal  
 720 Columbus-Sandusky Rd. S.  
 Marion, Ohio 43302  
 TEL (740) 725-5500

**Liberty Elementary School**  
 Sandra K. Richards, Principal  
 1932 Whetstone River Rd. N.  
 Caledonia, Ohio 43314  
 TEL (740) 725-5600  
 FAX (419) 845-2699

**DISTRICT WEB ADDRESS:**  
[www.rvk12.org](http://www.rvk12.org)

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	1. We now have online applications available to electronically calculate eligibility determinations.  2. We also have an updated operating system that electronically calculates eligibility determinations when we enter information in the system. This process will be double checked and calculated by hand to ensure the information was inputted correctly.	8/15/18          12/01/18	Brent Herdman



VIKINGS

# River Valley Local School District

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2018

**James P. Peterson**  
Superintendent

**Cathryn Zimmer**  
Treasurer

**River Valley Administration**  
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**DISTRICT WEB ADDRESS:**  
[www.rvk12.org](http://www.rvk12.org)

Finding Number	Finding Summary	Status	Additional Information
2017-001	Special Tests & Provisions – Paid Lunch Equity (Child Nutrition Cluster)	Corrective Action Taken and Finding is Fully Corrected	
2017-002	Special Tests & Provisions – Verification (Child Nutrition Cluster)	Corrective Action Taken and Finding is Fully Corrected	



OHIO AUDITOR OF STATE  
**KEITH FABER**



**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 21, 2019**