

**RIVER VALLEY LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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## REPORT OF INDEPENDENT ACCOUNTANTS

River Valley Local School District  
Marion County  
1239 Columbus-Sandusky Road North  
Marion, Ohio 43302

To the Board of Education:

We have audited the accompanying general purpose financial statements of River Valley Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of River Valley Local School District, Marion County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



**JIM PETRO**  
Auditor of State

November 18, 1999

River Valley Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,983,755	\$133,369	\$259,872
Receivables:			
Property Taxes	5,635,920	0	145,460
Accounts	2,483	1,970	0
Intergovernmental	21,210	0	0
Prepaid Items	57,761	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	17,033	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	137,643	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0
 <u>Other Debits:</u>			
Amount to be Provided from General Governmental Resources	0	0	0
Total Assets and Other Debits	\$8,855,805	\$135,339	\$405,332

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$56,243	\$60,816	\$0	\$0	\$3,494,055
0	0	0	0	5,781,380
2,544	0	0	0	6,997
10,167	0	0	0	31,377
3,665	0	0	0	61,426
14,627	0	0	0	14,627
1,505	0	0	0	18,538
0	0	0	0	137,643
21,163	0	5,594,248	0	5,615,411
0	0	0	694,736	694,736
<u>\$109,914</u>	<u>\$60,816</u>	<u>\$5,594,248</u>	<u>\$694,736</u>	<u>\$15,856,190</u>

(continued)

River Valley Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 1999  
 (continued)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Liabilities, Fund Equity, and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$123,186	\$3,440	\$0
Accrued Wages and Benefits	829,632	0	0
Compensated Absences Payable	27,379	0	0
Intergovernmental Payable	159,710	155	0
Deferred Revenue	4,157,506	0	106,656
Undistributed Assets	0	0	0
Due to Students	0	0	0
Notes Payable	190,000		
Accrued Interest Payable	5,568		
Capital Leases Payable	0	0	0
Early Retirement Incentive	25,387	0	0
Total Liabilities	5,518,368	3,595	106,656
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Property Taxes	1,478,414	0	38,805
Reserved for Inventory	17,033	0	0
Reserved for Budget Stabilization	137,643	0	0
Reserved for Encumbrances	112,799	1,690	3,847
Unreserved	1,591,548	130,054	256,024
Total Fund Equity and Other Credits	3,337,437	131,744	298,676
Total Liabilities, Fund Equity, and Other Credits	\$8,855,805	\$135,339	\$405,332

See Accompanying Notes to the General Purpose Financial Statements



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
		\$0	\$0	\$0
\$1,234	\$0	\$0	\$0	\$127,860
29,498	0	0	0	859,130
4,849	0	0	604,209	636,437
24,124	0	0	61,743	245,732
11,232	0	0	0	4,275,394
0	2,719	0	0	2,719
0	58,097	0	0	58,097
				190,000
				5,568
0	0	0	7,110	7,110
0	0	0	21,674	47,061
<u>70,937</u>	<u>60,816</u>	<u>0</u>	<u>694,736</u>	<u>6,455,108</u>
0	0	5,594,248	0	5,594,248
38,977	0	0	0	38,977
0	0	0	0	1,517,219
0	0	0	0	17,033
0	0	0	0	137,643
0	0	0	0	118,336
0	0	0	0	1,977,626
<u>38,977</u>	<u>0</u>	<u>5,594,248</u>	<u>0</u>	<u>9,401,082</u>
<u>\$109,914</u>	<u>\$60,816</u>	<u>\$5,594,248</u>	<u>\$694,736</u>	<u>\$15,856,190</u>

River Valley Local School District  
 Combined Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Fund Type Expendable Trust	
<b>Revenues:</b>					
Property Taxes	\$6,013,449	\$0	\$156,434	\$0	\$6,169,883
Intergovernmental	3,742,411	303,474	202,070	0	4,247,955
Interest	210,885	0	0	0	210,885
Tuition and Fees	53,281	0	0	0	53,281
Rent	2,369	0	0	0	2,369
Extracurricular Activities	0	168,094	0	0	168,094
Gifts and Donations	4,000	0	1,731	0	5,731
Miscellaneous	18,050	48,865	0	1,000	67,915
<b>Total Revenues</b>	<b>10,044,445</b>	<b>520,433</b>	<b>360,235</b>	<b>1,000</b>	<b>10,926,113</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	4,760,854	21,898	166,278	0	4,949,030
Special	468,998	178,571	0	0	647,569
Vocational	137,860	0	0	0	137,860
<b>Support Services:</b>					
Pupils	314,688	94,806	0	0	409,494
Instructional Staff	317,113	34,386	8,266	0	359,765
Board of Education	8,146	0	0	0	8,146
Administration	1,024,212	1,703	0	0	1,025,915
Fiscal	549,539	0	4,308	0	553,847
Operation and Maintenance of Plant	793,547	650	90,791	0	884,988
Pupil Transportation	884,036	1,741	0	0	885,777
Central	14,855	0	0	0	14,855
Extracurricular Activities	129,225	153,617	0	1,000	283,842
<b>Debt Service:</b>					
Principal Retirement	6,759	0	0	0	6,759
Interest and Fiscal Charges	6,445	0	0	0	6,445
<b>Total Expenditures</b>	<b>9,416,277</b>	<b>487,372</b>	<b>269,643</b>	<b>1,000</b>	<b>10,174,292</b>
Excess of Revenues Over (Under) Expenditures	628,168	33,061	90,592	0	751,821
Fund Balances at Beginning of Year	2,718,558	98,683	208,084	0	3,025,325
Decrease in Reserve for Inventory	(9,289)	0	0	0	(9,289)
<b>Fund Balances at End of Year</b>	<b>\$3,337,437</b>	<b>\$131,744</b>	<b>\$298,676</b>	<b>\$0</b>	<b>\$3,767,857</b>

See Accompanying Notes to the General Purpose Financial Statements

River Valley Local School District  
 Combined Statement of Revenues, Expenditures,  
 and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$5,721,356	\$5,795,604	\$74,248	\$0	\$0	\$0
Intergovernmental	3,304,094	3,736,554	432,460	325,514	320,369	(5,145)
Interest	211,480	211,393	(87)	0	0	0
Tuition and Fees	47,223	52,055	4,832	0	0	0
Rent	0	2,106	2,106	0	0	0
Extracurricular Activities	0	0	0	162,323	167,456	5,133
Gifts and Donations	3,000	4,000	1,000	0	0	0
Miscellaneous	0	17,747	17,747	48,276	49,005	729
<b>Total Revenues</b>	<b>9,287,153</b>	<b>9,819,459</b>	<b>532,306</b>	<b>536,113</b>	<b>536,830</b>	<b>717</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	4,886,839	4,842,027	44,812	112,341	101,880	10,461
Special	468,440	462,528	5,912	167,815	155,376	12,439
Vocational	139,589	138,799	790	0	0	0
<b>Support Services:</b>						
Pupils	331,486	327,399	4,087	140,839	107,894	32,945
Instructional Staff	324,189	318,528	5,661	37,908	30,752	7,156
Board of Education	8,600	8,146	454	0	0	0
Administration	1,046,814	1,027,191	19,623	1,365	1,365	0
Fiscal	543,835	543,474	361	0	0	0
Operation and Maintenance of Plant	835,096	814,239	20,857	650	650	0
Pupil Transportation	925,899	906,591	19,308	600	600	0
Central	17,355	17,355	0			
Extracurricular Activities	130,919	130,197	722	212,515	182,174	30,341
<b>Total Expenditures</b>	<b>9,659,061</b>	<b>9,536,474</b>	<b>122,587</b>	<b>674,033</b>	<b>580,691</b>	<b>93,342</b>
Excess of Revenues Over (Under) Expenditures	(371,908)	282,985	654,893	(137,920)	(43,861)	94,059
<b>Other Financing Sources (Uses):</b>						
Proceeds of Notes	190,000	190,000	0	0	0	0
Proceeds From Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	957	957	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>190,000</b>	<b>190,957</b>	<b>957</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(181,908)	473,942	655,850	(137,920)	(43,861)	94,059
Fund Balances at Beginning of Year	2,270,949	2,270,949	0	89,754	89,754	0
Prior Year Encumbrances Appropriated	158,468	158,468	0	62,535	62,535	0
<b>Fund Balances at End of Year</b>	<b>\$2,247,509</b>	<b>\$2,903,359</b>	<b>\$655,850</b>	<b>\$14,369</b>	<b>\$108,428</b>	<b>\$94,059</b>

See Accompanying Notes to the General Purpose Financial Statements

Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$139,650	\$153,878	\$14,228	\$0	\$0	\$0	\$5,861,006	\$5,949,482	\$88,476
174,343	175,037	694	0	0	0	3,803,951	4,231,960	428,009
0	0	0	0	0	0	211,480	211,393	(87)
0	0	0	0	0	0	47,223	52,055	4,832
0	0	0	0	0	0	0	2,106	2,106
0	0	0	0	0	0	162,323	167,456	5,133
2,500	1,731	(769)	1,000	1,000	0	5,500	5,731	231
0	0	0	0	0	0	48,276	66,752	18,476
316,493	330,646	14,153	1,000	1,000	0	10,139,759	10,686,935	547,176
191,453	176,771	14,682	0	0	0	5,190,633	5,120,678	69,955
0	0	0	0	0	0	636,255	617,904	18,351
0	0	0	0	0	0	139,589	138,799	790
0	0	0	0	0	0	472,325	435,293	37,032
26,112	8,286	17,826	0	0	0	388,209	357,566	30,643
0	0	0	0	0	0	8,600	8,146	454
0	0	0	0	0	0	1,048,179	1,028,556	19,623
4,600	4,308	292	0	0	0	548,435	547,782	653
213,810	94,638	119,172	0	0	0	1,049,556	909,527	140,029
0	0	0	0	0	0	926,499	907,191	19,308
0	0	0	1,000	1,000	0	343,434	312,371	31,063
435,975	284,003	151,972	1,000	1,000	0	10,751,714	10,383,813	367,901
(119,482)	46,643	166,125	0	0	0	(611,955)	303,122	915,077
0	0	0	0	0	0	190,000	190,000	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	957	957
0	0	0	0	0	0	190,000	190,957	957
(119,482)	46,643	166,125	0	0	0	(421,955)	494,079	916,034
147,236	147,236	0	0	0	0	2,507,939	2,507,939	0
35,114	35,114	0	0	0	0	256,117	256,117	0
\$62,868	\$228,993	\$166,125	\$0	\$0	\$0	\$2,342,101	\$3,258,135	\$916,034

River Valley Local School District  
 Combined Statement of Revenues, Expenses,  
 and Changes in Retained Earnings  
 Enterprise Funds  
 For the Fiscal Year Ended June 30, 1999

Operating Revenues:

Sales	\$361,477
Total Operating Revenues	<u>361,477</u>

Operating Expenses:

Salaries	170,416
Fringe Benefits	82,082
Purchased Services	12,775
Materials and Supplies	10,709
Cost of Sales	205,892
Depreciation	2,583
Total Operating Expenses	<u>484,457</u>

Operating Loss	(122,980)
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Non-Operating Revenues:

Federal Donated Commodities	27,141
Interest	1,061
Operating Grants	71,088
Total Non-Operating Revenues	<u>99,290</u>

Net Loss	(23,690)
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Retained Earnings at Beginning of Year	<u>62,667</u>
Retained Earnings at End of Year	<u>\$38,977</u>

See Accompanying Notes to the General Purpose Financial Statements

River Valley Local School District  
 Combined Statement of Revenues, Expenses,  
 and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
 Enterprise Funds  
 For the Fiscal Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Sales	\$360,219	\$361,132	\$913
Operating Grants	76,774	76,774	0
Interest	1,062	1,062	0
Total Revenues	<u>438,055</u>	<u>438,968</u>	<u>913</u>
<b>Expenses:</b>			
Salaries	170,055	170,054	1
Fringe Benefits	85,745	82,973	2,772
Purchased Services	12,048	11,638	410
Materials and Supplies	200,375	186,473	13,902
Capital Outlay	15,000	11,303	3,697
Total Expenses	<u>483,223</u>	<u>462,441</u>	<u>20,782</u>
Excess of Revenues Under Expenses	(45,168)	(23,473)	21,695
Fund Balances at Beginning of Year	78,228	78,228	0
Prior Year Encumbrances Appropriated	1,257	1,257	0
Fund Balances at End of Year	<u>\$34,317</u>	<u>\$56,012</u>	<u>\$21,695</u>

See Accompanying Notes to the General Purpose Financial Statements

River Valley Local School District  
 Combined Statement of Cash Flows  
 Enterprise Funds  
 For the Fiscal Year Ended June 30, 1999

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 361,132
Cash Payments for Personal Services	(170,054)
Cash Payments for Fringe Benefits	(82,973)
Cash Payments to Suppliers for Goods and Services	(197,880)
Net Cash Used for Operating Activities	<u>(89,775)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	76,774
Net Cash Provided by Noncapital Financing Activities	<u>76,774</u>

Cash Flows from Capital and Related Financing Activities:

Cash Payments for Fixed Assets	<u>(11,303)</u>
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>1,062</u>
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Net Decrease in Cash and Cash Equivalents	(23,242)
Cash and Cash Equivalents at Beginning of Year	<u>79,485</u>
Cash and Cash Equivalents at End of Year	<u>\$ 56,243</u>

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	\$ (122,980)
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Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:

Depreciation	2,583
Donated Commodities Used During Year	27,141
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(345)
Decrease in Prepaid Items	123
Decrease in Inventory Held for Resale	5,749
Increase in Materials and Supplies Inventory	(228)
Increase in Accounts Payable	1,137
Increase in Accrued Wages and Benefits	1,380
Decrease in Compensated Absences Payable	(3,596)
Decrease in Intergovernmental Payable	(739)
Net Cash Used for Operating Activities	<u>\$ (89,775)</u>

See Accompanying Notes to the General Purpose Financial Statements

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The 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 statute and/or federal guidelines.

The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred thirty-one square miles. It is located in Marion and Morrow Counties, and includes all of the Villages of Caledonia, Claridon, Martel, and Waldo. The School District is the 311th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by sixty-six classified employees, one hundred six certified full-time teaching personnel, and ten administrative employees who provide services to 1,748 students and other community members. The School District currently operates five instructional buildings, one administration building, and one garage.

*Reporting Entity:*

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

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

The School District is associated with two jointly governed organizations and an insurance pool. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Tri-Rivers Joint Vocational School, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.



River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

*General Fund* - The General Fund is the operating fund of the School District and 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.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

*Capital Projects Funds* - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Proprietary Fund Type:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds include expendable trust, non-expendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-Expendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District did not have any non-expendable trust funds in fiscal year 1999. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in proprietary funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: grants, interest, tuition, student fees, and rent.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Early Childhood Preschool special revenue fund is a flow through grant in which the North Central Ohio Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

Advances In and Advances Out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Marion County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; however, these amendments were not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. 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. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to U.S. treasury notes and STAR Ohio. U.S. treasury notes are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$210,885, which includes \$17,086, assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the 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 considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**F. Inventory**

Inventory in the governmental funds is stated at cost while inventory in the enterprise funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as an expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**I. 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 that 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 current service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions, and the early retirement incentive that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments for these liabilities made more than sixty days after fiscal year end are considered not to have required the use of current available financial resources. Capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

**K. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for property taxes, inventories of materials and supplies, budget stabilization, and encumbrances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**L. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

*Entitlements*

*General Fund*

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Allocation

*Non-Reimbursable Grants*

*Special Revenue Funds*

Professional Development Block Grant  
Education Management Information Systems  
Eisenhower - Title II  
Title VI-B  
Title I  
Title VI  
Drug-Free Schools - Title IV  
Early Childhood Preschool  
E-Rate Telecommunications  
Community Improvement Grant (Goals 2000)

*Capital Projects Funds*

SchoolNet  
Textbook/Instructional Materials

*Reimbursable Grants*

*General Fund*

Driver Education

*Proprietary Funds*

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 39 percent of the revenues of the School District's governmental fund types during the 1999 fiscal year.



River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. 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.

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - RESERVATIONS OF FUND BALANCE**

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

The changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 1999 are as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Total</u>
Balance June 30, 1998	-0-	-0-	51,954	51,954
Current Year Set Aside Requirement	171,377	171,377	85,689	428,443
Current Year Offset		(108,377)		(108,377)
Qualifying Expenditures	(171,377)	(63,000)		(234,377)
Balance June 30, 1999	-0-	-0-	137,643	137,643
Total Restricted Assets			137,643	137,643

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise funds (GAAP basis).
4. For the enterprise funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Although not part of the appropriated budget, the Early Childhood Preschool special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Capital Projects
GAAP Basis	\$628,168	33,061	90,592
<b><u>Increase (Decrease) Due To:</u></b>			
Revenue Accruals:			
Accrued FY 1998, Received in Cash FY 1999	1,279,956	1,472	36,249
Accrued FY 1999, Not Yet Received in Cash	(1,502,969)	(1,970)	(39,633)

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

Expenditure Accruals:

Accrued FY 1998, Paid in Cash FY 1999	(\$1,084,100)	(\$26,250)	(\$36,717)
Accrued FY 1999, Not Yet Paid in Cash	1,179,051	4,424	-0-
Note Proceeds	190,000	-0-	-0-
Encumbrances Outstanding at Year End (Budget Basis)	<u>(216,164)</u>	<u>(54,598)</u>	<u>(3,848)</u>
Budget Basis	<u>\$473,942</u>	<u>(\$43,861)</u>	<u>46,643</u>

Net Loss/Excess of Revenues  
Under Expenses  
Enterprise Funds

GAAP Basis	\$23,690
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1998, Received in Cash FY 1999	18,052
Accrued FY 1999, Not Yet Received in Cash	(21,799)
Expense Accruals:	
Accrued FY 1998, Paid in Cash FY 1999	(59,221)
Accrued FY 1999, Not Yet Paid in Cash	19,112
Prepaid Items	124
Inventory Held for Resale	5,749
Materials and Supplies Inventory	(228)
Depreciation Expense	2,583
Acquisition of Fixed Assets	(11,303)
Encumbrances Outstanding at Year End (Budget Basis)	<u>(232)</u>
Budget Basis	<u>(\$23,473)</u>

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$1,500 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$35,631 and the bank balance was \$208,986. Of the bank balance, \$100,000 was covered by federal depository insurance and \$108,986 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 1999, the carrying amount and fair value of funds on deposit with STAR Ohio was \$3,594,567.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$3,631,698	\$0
Cash on Hand	(1,500)	0
Investments:		
STAR Ohio	(3,594,567)	3,594,567
GASB Statement No. 3	\$35,631	\$3,594,567

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Marion and Morrow Counties. The Counties' 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 6 - PROPERTY TAXES (continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$1,478,414 in the General Fund and 38,805 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1998, was \$1,260,569 in the General Fund and \$36,249 in the Permanent Improvement capital projects fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$99,362,890	50.00%	\$122,759,300	52.00%
Industrial/Commercial	39,980,280	20.12	\$41,096,900	17.00%
Public Utility	12,668,900	6.38	\$12,903,060	5.00%
Tangible Personal	46,692,045	23.50	\$58,770,199	26.00%
Total Assessed Value	<u>\$198,704,115</u>	<u>100.00%</u>	<u>\$235,529,459</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$40.31</u>		<u>\$39.44</u>	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. 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 fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Tuition & Fees	\$21,210
	<u>21,210</u>
Enterprise Fund	
Food Service	
National School Lunch Program	10,167
Total Intergovernmental Receivables	<u>\$31,377</u>

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$176,402
Less Accumulated Depreciation	(155,239)
Net Fixed Assets	\$21,163

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$365,861	\$0	\$0	\$365,861
Buildings and Improvements	1,077,237	0	11,495	1,065,742
Furniture, Fixtures, and Equipment	2,652,338	336,911	0	2,989,249
Books	32,340	0	0	32,340
Vehicles	1,001,464	275,410	135,818	1,141,056
Totals	\$5,129,240.	\$612,321	\$147,313	\$5,594,248

**NOTE 9 - 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 1999, the School District contracted for the following insurance coverages:

Coverages provided by Indiana Insurance are as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$24,075,288
Inland Marine Coverage (\$100-250 deductible)	774,119
Boiler and Machinery (\$1,000 deductible)	no limit
Automobile Liability (\$250 deductible)	1,000,000

Coverages provided by Nationwide Insurance are as follows:

General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	1,000,000



River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 9 - 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 coverages from last year.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP 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 GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$178,677, \$112,689, and \$116,984, respectively; 48 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$86,199, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1999, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$438,723, \$471,154, and \$517,349, respectively; 76 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$108,252, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 1999, the board allocated employer contributions equal to 8% of covered payroll to the Healthcare Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$157,051 during fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000, and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)**

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, was \$73,960 during the 1999 fiscal year. At June 30, 1998, SERS had net assets available for payment of health care of \$160.3 million.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

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

**B. Health Care Benefits**

The School District offers medical insurance to all employees through a new medical provider, HealthFirst. The School District offers employee dental and vision insurance to all employees through Delta Dental Plan of Ohio and Vision Service Plan. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**C. Early Retirement Incentive**

The School District offered a special termination benefit to certified employees who retired as of July 1, 1999. Certified employees were offered a one time cash payment retirement incentive, in addition to their regular severance benefits and STRS pension benefits. The employee had to retire as of July 1, 1999, and not during the regular school year to be eligible. In addition, the employee had to have five continuous years of service with the School District, and retire as soon as they were eligible to receive STRS retirement benefits. The benefit was equal to 20 percent of the employee's accumulated sick leave as of June 30, 1999, not in excess of two hundred twenty-five days. The benefit must be paid to the employee within thirty days of the effective date of retirement, and at their current daily rate. At June 30, 1999, the liability for the early retirement incentive was \$47,061.

**NOTE 13 - SHORT-TERM OBLIGATIONS**

During fiscal year 1999, the School District issued school bus bond anticipation notes, in the amount of \$190,000. The notes mature October 21, 1999.

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Balance at 6/30/98	Addition s	Deductions	Balance at 6/30/99
Compensated Absences Payable	\$596,358	\$7,851	\$0	\$604,209
Intergovernmental Payable	62,411	0	668	61,743
Capital Leases Payable	13,869	0	6,759	7,110
Early Retirement Incentive	13,484	8,190	0	21,674
Total General Long-Term Obligations	<u>\$686,122</u>	<u>\$16,041</u>	<u>\$7,427</u>	<u>\$694,736</u>

Compensated absences, intergovernmental payables (representing the School District's contractually required pension contribution), and the early retirement incentive will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the General Fund.

The School District's voted legal debt margin was \$21,197,651 with an unvoted debt margin of \$190,000 at June 30, 1999.

**NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for vehicles and equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group, in the amount of \$23,330. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$6,759 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTDAG
2000	6,881
2001	538
Total	<u>7,419</u>
Less Amount Representing Interest	(309)
Present Value of Net Minimum Lease Payments	<u>\$7,110</u>

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the River Valley Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$332,071	\$29,406	\$361,477
Depreciation Expense	2,583	0	2,583
Operating Loss	(122,569)	(411)	(122,980)
Federal Donated Commodities	27,141	0	27,141
Operating Grants	\$71,088	\$0	\$71,088
Net Loss	(23,279)	(411)	(23,690)
Fixed Assets Additions	11,303	0	11,303
Net Working Capital	10,760	7,054	17,814
Total Assets	102,861	7,054	109,914
Total Equity	31,923	7,054	38,977
Encumbrances Outstanding (Budget Basis) at Year End	232	0	232

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Tri-Rivers Educational Computer Association**

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Marion, Morrow, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, 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. Financial information can be obtained from Terril Martin, who serves as Treasurer, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**NOTE 18 - INSURANCE POOL**

**Ohio School Boards Association 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 School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 19 SCHOOL FOUNDATION PROGRAM**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,229,593 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issue raised over the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Court of Common Pleas declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTE 20 - YEAR 2000 ISSUE**

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the School District's operations as early as fiscal year 1999.

The School District has completed an inventory of computer systems and/or other electronic equipment that may be affected by the year 2000 issue. Those systems that have been identified follow:

The School District uses the State of Ohio Uniform School Accounting System for financial reporting, and the State of Ohio Uniform Staff Payroll System for payroll and employee benefits. The State is responsible for remediating these systems.

River Valley Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 20 - YEAR 2000 ISSUE (continued)**

The State of Ohio distributes a substantial sum of money to the School District in the form of "foundation" payments and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through the State Education Management and Information System (EMIS). The State is responsible for remediating these systems.

Marion and Morrow Counties collect property taxes for distribution to the School District. The Counties are responsible for remediating the tax collection systems.

The School District has five school buildings with heating systems which have efficiency utilization measures within the systems. The School District has remediated, validated and tested the systems. The School District has a contingency plan to reasonably assure continued operations should certain embedded chips not operate properly.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is, or will be, year 2000 ready; that the School District's remediation efforts will be successful in whole or in part; or that parties with whom the School District does business will be year 2000 ready.

**NOTE 21 - 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, 1999.

**B. Litigation**

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

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**SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Distribution	05-PU 99	10.550		\$24,840		\$27,994
National School Lunch Program	03-PU 98	10.555	7,686	0	7,686	0
	03-PU 99		14,389	0	14,389	0
	04-PU 98		17,238	0	17,238	0
	04-PU 99		34,282	0	34,282	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>73,595</u>	<u>24,840</u>	<u>73,595</u>	<u>27,994</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States	6B-SF 97 P	84.027	5,854	0	10,770	0
	6B-SF 98 P		77,972	0	72,939	0
Total Special Education Grants to States			<u>83,826</u>	<u>0</u>	<u>83,709</u>	<u>0</u>
Title I Grants to Local Educational Agencies	C1-S1-97	84.010	0	0	4,052	0
	C1-S1-98		0	0	2,031	0
	C1-S1-98 C		11,029	0	12,820	0
	C1-S1-99		124,991	0	114,367	0
	C1-SD-98 C		288	0	1,983	0
	C1-SD-99		24,818	0	18,881	0
Total Title I Grants to Local Educational Agencies			<u>161,126</u>	<u>0</u>	<u>154,134</u>	<u>0</u>
Eisenhower Professional Development State Grant	MS-S1-97	84.281	0	0	835	0
	MS-S1-98		0	0	5,180	0
	MS-S1-99		6,883	0	2,045	0
Total Eisenhower Professional Development State Grant			<u>6,883</u>	<u>0</u>	<u>8,060</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grant	DR-S1-97	84.186	0	0	616	0
	DR-S1-98		0	0	2,990	0
	DR-S1-99		5,641	0	4,397	0
Total Safe and Drug-Free Schools and Communities State Grant			<u>5,641</u>	<u>0</u>	<u>8,003</u>	<u>0</u>
Innovative Educational Program Strategies	C1-S1-98	84.298	0	0	817	0
	C1-S1-99		6,803	0	5,397	0
Total Innovative Educational Program Strategies			<u>6,803</u>	<u>0</u>	<u>6,214</u>	<u>0</u>
Telecomm E-Rate Program	316402823	84.XXX	5,986	0	0	0
Goal 2000 - State and Local Education Systemic Improvement	G2-S2-99	84.276	10,000	0	3,622	0
Total U.S. Department of Education			<u>280,265</u>	<u>0</u>	<u>263,742</u>	<u>0</u>
<b>Totals</b>			<u><b>\$353,860</b></u>	<u><b>\$24,840</b></u>	<u><b>\$337,337</b></u>	<u><b>\$27,994</b></u>

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

**NOTES TO SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 1999, the District had no significant commodities in inventory.

**NOTE C - TELECOMM E-RATE PROGRAM**

The program does not have a CFDA number assigned to it. It is administered by the Ohio Department of Education.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
www.auditor.state.oh.us

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

River Valley Local School District  
Marion County  
1239 Columbus-Sandusky Road North  
Marion, Ohio 43302

To the Board of Education:

We have audited the general purpose financial statements of River Valley Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 1999 and have issued our report thereon dated November 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 18, 1999.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 18, 1999.

River Valley Local School District  
Marion County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

This report is intended for the information and use of the finance committee, management, the Board of Education, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO  
Auditor of State

November 18, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

River Valley Local School District  
Marion County  
1239 Columbus-Sandusky Road North  
Marion, Ohio 43302

To the Board of Education:

**Compliance**

We have audited the compliance of River Valley Local School District, Marion County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

River Valley Local School District  
Marion County  
Report on Compliance with Requirements Applicable to  
the Major Federal Program and Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**JIM PETRO**  
Auditor of State

November 18, 1999

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**JUNE 30, 1999**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Grants to Local Educational Agencies (Title 1) CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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.

By: Susan Babbitt  
Clerk of the Bureau

Date: JAN 11 2000