



**Auditor of State
Betty Montgomery**

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

River Valley Local School District
Marion County
1239 Columbus-Sandusky Road North
Marion, Ohio 43302-8598

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, 2002, 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 auditing standards generally accepted in the United States of America 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, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2003, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards receipts and expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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BETTY MONTGOMERY
Auditor of State

January 31, 2003

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River Valley Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and				
Cash Equivalents	\$1,733,643	\$398,075	\$567,433	\$36,136,803
Cash with Fiscal Agent	0	0	0	0
Cash in Escrow	0	0	0	107,753
Receivables:				
Property Taxes	6,045,797	104,733	1,338,993	148,431
Accrued Interest	557	0	0	0
Accounts	14,777	991	0	0
Interfund Receivable	599,250	0	0	0
Intergovernmental	0	199,806	0	1,202,848
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	24,665	0	0	0
Restricted Assets:				
Equity in Pooled Cash and				
Cash Equivalents	51,952	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount in Debt Service Fund for Retirement of Debt	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
Total Assets and Other Debits	\$8,470,641	\$703,605	\$1,906,426	\$37,595,835

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$43,133	\$35,923	\$87,355	\$0	\$0	\$39,002,365
0	113,887	0	0	0	\$113,887
0	0	0	0	0	\$107,753
0	0	0	0	0	7,637,954
0	0	0	0	0	557
4,688	0	0	0	0	20,456
0	0	0	0	0	599,250
0	0	0	0	0	1,402,654
12,019	0	0	0	0	12,019
1,530	0	0	0	0	26,195
0	0	0	0	0	51,952
23,580	0	0	15,798,873	0	15,822,453
0	0	0	0	1,026,025	1,026,025
0	0	0	0	19,321,676	19,321,676
<u>\$84,950</u>	<u>\$149,810</u>	<u>\$87,355</u>	<u>\$15,798,873</u>	<u>\$20,347,701</u>	<u>\$85,145,196</u>

(continued)

River Valley Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002
 (continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity, and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$74,277	\$10,108	\$0	\$0
Contracts Payable	0	0	0	1,687,378
Accrued Wages and Benefits	940,384	0	0	0
Compensated Absences Payable	38,749	0	0	0
Interfund Payable	0	2,000	0	562,250
Intergovernmental Payable	195,807	231	0	0
Retainage Payable	0	0	0	107,753
Deferred Revenue	4,160,474	241,604	880,401	1,191,915
Undistributed Assets	0	0	0	0
Due to Students	0	0	0	0
Notes Payable	265,000	0	0	0
Accrued Interest Payable	3,259	0	0	0
Capital Leases Payable	0	0	0	0
Claims payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Early Retirement Incentive	8,158	0	0	0
Total Liabilities	<u>5,686,108</u>	<u>253,943</u>	<u>880,401</u>	<u>3,549,296</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:	0	0	0	0
Fund Balance:				
Reserved for Property Taxes	1,867,250	34,941	454,028	44,974
Reserved for Inventory	24,665	0	0	0
Reserved for Budget Stabilization	51,952	0	0	0
Reserved for Encumbrances	69,152	50,750	0	20,160,867
Designated for Budget Stabilization	85,690	0	0	0
Unreserved	685,824	363,971	571,997	13,840,698
Total Fund Equity and Other Credits	<u>2,784,533</u>	<u>449,662</u>	<u>1,026,025</u>	<u>34,046,539</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$8,470,641</u>	<u>\$703,605</u>	<u>\$1,906,426</u>	<u>\$37,595,835</u>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$3,206	\$0	\$0	\$0	\$0	\$87,591
0	0	0	0	0	1,687,378
35,047	0	0	0	0	975,431
14,582	0	0	0	651,605	704,936
35,000	0	0	0	0	599,250
25,388	0	0	0	65,801	287,227
0	0	0	0	0	107,753
0	0	0	0	0	6,474,394
0	0	2,765	0	0	2,765
0	0	84,590	0	0	84,590
0	0	0	0	0	265,000
0	0	0	0	0	3,259
0	0	0	0	30,295	30,295
0	241,131	0	0	0	241,131
0	0	0	0	19,600,000	19,600,000
0	0	0	0	0	8,158
<u>113,223</u>	<u>241,131</u>	<u>87,355</u>	<u>0</u>	<u>20,347,701</u>	<u>31,159,158</u>
0	0	0	15,798,873	0	15,798,873
(28,273)	(91,321)	0	0	0	(119,594)
0	0	0	0	0	2,401,193
0	0	0	0	0	24,665
0	0	0	0	0	51,952
0	0	0	0	0	20,280,769
0	0	0	0	0	85,690
0	0	0	0	0	15,462,490
<u>(28,273)</u>	<u>(91,321)</u>	<u>0</u>	<u>15,798,873</u>	<u>0</u>	<u>53,986,038</u>
<u>\$84,950</u>	<u>\$149,810</u>	<u>\$87,355</u>	<u>\$15,798,873</u>	<u>\$20,347,701</u>	<u>\$85,145,196</u>

River Valley Local School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$6,126,968	\$105,526	\$1,371,143	\$129,282	\$7,732,919
Intergovernmental	4,712,205	512,730	144,392	17,046,054	22,415,381
Interest	255,754	0	0	1,202,081	1,457,835
Tuition and Fees	82,387	0	0	0	82,387
Rent	1,236	0	0	0	1,236
Extracurricular Activities	0	173,617	0	0	173,617
Gifts and Donations	100	0	0	24,139	24,239
Miscellaneous	13,106	53,443	0	0	66,549
Total Revenues	<u>11,191,756</u>	<u>845,316</u>	<u>1,515,535</u>	<u>18,401,556</u>	<u>31,954,163</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	5,791,700	119,965	0	9,678	5,921,343
Special	543,445	256,854	0	0	800,299
Vocational	163,093	0	0	0	163,093
Support Services:					
Pupils	345,051	157,679	0	0	502,730
Instructional Staff	446,373	41,098	0	0	487,471
Board of Education	7,683	0	0	0	7,683
Administration	1,055,515	14,906	0	0	1,070,421
Fiscal	446,424	2,315	30,030	2,537	481,306
Operation and Maintenance of Plant	850,812	1,344	0	1,242,136	2,094,292
Pupil Transportation	973,325	1,323	0	0	974,648
Central	55,718	13,750	0	0	69,468
Non-Instructional Services	663	0	0	0	663
Extracurricular Activities	221,890	143,528	0	0	365,418
Capital Outlay	45,101	0	0	7,276,807	7,321,908
Debt Service:					
Principal Retirement	16,194	0	19,600,000	0	19,616,194
Interest and Fiscal Charges	8,530	0	1,149,783	0	1,158,313
Total Expenditures	<u>10,971,517</u>	<u>752,762</u>	<u>20,779,813</u>	<u>8,531,158</u>	<u>41,035,250</u>
Excess of Revenues Over (Under) Expenditures	<u>220,239</u>	<u>92,554</u>	<u>(19,264,278)</u>	<u>9,870,398</u>	<u>(9,081,087)</u>
Other Financing Sources					
Inception of Capital Lease	13,780	0	0	0	13,780
Operating Transfer In	0	0	0	400,692	400,692
Operating Transfer Out	(400,692)	0	0	0	(400,692)
Proceeds from sale of notes	0	0	19,634,813	0	19,634,813
Total Other Financing Sources	<u>(386,912)</u>	<u>0</u>	<u>19,634,813</u>	<u>400,692</u>	<u>19,634,813</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(166,673)	92,554	370,535	10,271,090	10,567,506
Fund Balances at Beginning of Year	2,956,585	357,108	655,490	23,775,449	27,744,632
Decrease in Reserve for Inventory	(5,379)	0	0	0	(5,379)
Fund Balances at End of Year	<u>\$2,784,533</u>	<u>\$449,662</u>	<u>\$1,026,025</u>	<u>\$34,046,539</u>	<u>\$38,306,759</u>

See Accompanying Notes to the General Purpose Financial Statements

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River Valley Local School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Budget and Actual
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2002

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$6,001,054	\$5,989,461	(\$11,593)	\$104,937	\$103,908	(\$1,029)
Intergovernmental	4,791,312	4,712,769	(78,543)	497,879	472,210	(25,669)
Interest	245,000	255,197	10,197	0	0	0
Tuition and Fees	61,800	70,548	8,748	0	0	0
Rent	1,100	1,236	136	0	0	0
Extracurricular Activities	0	0	0	175,175	175,141	(34)
Gifts and Donations	1,000	100	(900)	0	0	0
Miscellaneous	14,500	13,106	(1,394)	53,393	53,443	50
Total Revenues	<u>11,115,766</u>	<u>11,042,417</u>	<u>(73,349)</u>	<u>831,384</u>	<u>804,702</u>	<u>(26,682)</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	6,081,072	6,052,331	28,741	183,872	155,200	28,672
Special	597,168	561,818	35,350	282,491	257,915	24,576
Vocational	165,446	162,255	3,191	0	0	0
Support Services:						
Pupils	363,343	348,382	14,961	164,037	162,034	2,003
Instructional Staff	476,430	447,282	29,148	27,880	33,087	(5,207)
Board of Education	9,740	7,683	2,057	0	0	0
Administration	1,113,168	1,064,373	48,795	17,391	15,435	1,956
Fiscal	477,570	458,927	18,643	2,500	2,315	185
Operation and Maintenance of Plant	913,754	893,974	19,780	1,344	1,344	0
Pupil Transportation	1,012,722	1,000,207	12,515	2,700	1,200	1,500
Central	53,000	52,549	451	14,500	9,000	5,500
Non-Instructional Services	675	663	12	500	0	500
Extracurricular Activities	232,300	224,318	7,982	166,890	166,148	742
Capital Outlay	32,324	31,321	1,003	0	0	0
Debt Service:						
Principal Retirement	110,000	110,000	0	0	0	0
Interest and Fiscal Charges	6,017	5,933	84	0	0	0
Total Expenditures	<u>11,644,729</u>	<u>11,422,016</u>	<u>222,713</u>	<u>864,105</u>	<u>803,678</u>	<u>60,427</u>
Excess of Revenues Over (Under) Expenditures	<u>(528,963)</u>	<u>(379,599)</u>	<u>149,364</u>	<u>(32,721)</u>	<u>1,024</u>	<u>33,745</u>
<u>Other Financing Sources (Uses):</u>						
Operating Transfers In	0	0	0	0	0	0
Proceeds from Sale of Short Term Note	265,000	265,000	0	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	1,000	0	(1,000)	0	0	0
Refund of Prior Year Expenditures	144,000	219,086	75,086	0	1,239	1,239
Operating Transfers Out	(400,692)	(400,692)	0	0	0	0
Advances In	0	15,000	15,000	0	2,000	2,000
Advances Out	(345,000)	(352,000)	(7,000)	0	0	0
Total Other Financing Sources (Uses)	<u>(335,692)</u>	<u>(253,606)</u>	<u>82,086</u>	<u>0</u>	<u>3,239</u>	<u>3,239</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(864,655)</u>	<u>(633,205)</u>	<u>231,450</u>	<u>(32,721)</u>	<u>4,263</u>	<u>36,984</u>
Fund Balances at Beginning of Year	2,127,077	2,127,077	0	323,741	323,741	0
Prior Year Encumbrances Appropriated	160,336	160,336	0	15,290	15,290	0
Fund Balances at End of Year	<u>\$1,422,758</u>	<u>\$1,654,208</u>	<u>\$231,450</u>	<u>\$306,310</u>	<u>\$343,294</u>	<u>\$36,984</u>

See Accompanying Notes to the General Purpose Financial Statements

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,288,633	\$1,354,279	\$65,646	\$70,366	\$105,667	\$35,301	\$7,464,990	\$7,553,315	\$88,325
147,872	144,392	(3,480)	16,895,813	16,932,106	36,293	22,332,876	22,261,477	(71,399)
0	0	0	1,202,081	1,202,081	0	1,447,081	1,457,278	10,197
0	0	0	0	0	0	61,800	70,548	8,748
0	0	0	0	0	0	1,100	1,236	136
0	0	0	0	0	0	175,175	175,141	(34)
0	0	0	0	24,139	24,139	1,000	24,239	23,239
0	0	0	0	0	0	67,893	66,549	(1,344)
1,436,505	1,498,671	62,166	18,168,260	18,263,993	95,733	31,551,915	31,609,783	57,868
0	0	0	36,858	36,953	(95)	6,301,802	6,244,484	57,318
0	0	0	0	0	0	879,659	819,733	59,926
0	0	0	0	0	0	165,446	162,255	3,191
0	0	0	0	0	0	527,380	510,416	16,964
0	0	0	0	0	0	504,310	480,369	23,941
0	0	0	0	0	0	9,740	7,683	2,057
0	0	0	0	0	0	1,130,559	1,079,808	50,751
31,000	30,030	970	4,100	2,537	1,563	515,170	493,809	21,361
0	0	0	222,264	186,593	35,671	1,137,362	1,081,911	55,451
0	0	0	0	0	0	1,015,422	1,001,407	14,015
0	0	0	0	0	0	67,500	61,549	5,951
0	0	0	0	0	0	1,175	663	512
0	0	0	0	0	0	399,190	390,466	8,724
0	0	0	41,994,884	28,740,790	13,254,094	42,027,208	28,772,111	13,255,097
39,200,000	39,200,000	0	0	0	0	39,310,000	39,310,000	0
1,769,604	1,595,341	174,263	0	0	0	1,775,621	1,601,274	174,347
41,000,604	40,825,371	175,233	42,258,106	28,966,873	13,291,233	95,767,544	82,017,938	13,749,606
(39,564,099)	(39,326,700)	237,399	(24,089,846)	(10,702,880)	13,386,966	(64,215,629)	(50,408,155)	13,807,474
0	0	0	645,214	400,692	(244,522)	645,214	400,692	(244,522)
0	0	0	0	0	0	265,000	265,000	0
19,600,000	19,600,000	0	0	0	0	19,600,000	19,600,000	0
96,979	34,813	(62,166)	0	0	0	96,979	34,813	(62,166)
0	0	0	0	0	0	1,000	0	(1,000)
0	0	0	0	0	0	144,000	220,325	76,325
0	0	0	(121,292)	0	121,292	(521,984)	(400,692)	121,292
0	0	0	300,000	300,000	0	300,000	317,000	17,000
0	0	0	0	0	0	(345,000)	(352,000)	(7,000)
19,696,979	19,634,813	(62,166)	823,922	700,692	(123,230)	20,185,209	20,085,138	(100,071)
(19,867,120)	(19,691,887)	175,233	(23,265,924)	(10,002,188)	13,263,736	(44,030,420)	(30,323,017)	13,707,403
20,259,320	20,259,320	0	23,866,827	23,866,827	0	46,576,965	46,576,965	0
0	0	0	432,503	432,503	0	608,129	608,129	0
\$392,200	\$567,433	\$175,233	\$1,033,406	\$14,297,142	\$13,263,736	\$3,154,674	\$16,862,077	\$13,707,403

River Valley Local School District
 Combined Statement of Revenues, Expenses,
 and Changes in Retained Earnings
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<u>Operating Revenues:</u>			
Sales	\$376,939	\$0	\$376,939
Charges for Services	0	465,369	465,369
Total Operating Revenues	<u>376,939</u>	<u>465,369</u>	<u>842,308</u>
 <u>Operating Expenses:</u>			
Salaries	232,310	0	232,310
Fringe Benefits	63,726	43,909	107,635
Purchased Services	7,528	53,063	60,591
Cost of Sales	198,517	0	198,517
Depreciation	2,165	0	2,165
Claims	0	461,027	461,027
Total Operating Expenses	<u>504,246</u>	<u>557,999</u>	<u>1,062,245</u>
Operating (Loss)	<u>(127,307)</u>	<u>(92,630)</u>	<u>(219,937)</u>
 <u>Non-Operating Revenues:</u>			
Federal Donated Commodities	11,277	0	11,277
Interest	875	1,309	2,184
Operating Grants	92,647	0	92,647
Total Non-Operating Revenues	<u>104,799</u>	<u>1,309</u>	<u>106,108</u>
Net (Loss)	(22,508)	(91,321)	(113,829)
Retained Earnings at Beginning of Year	(5,765)	0	(5,765)
Retained Earnings at End of Year	<u>(\$28,273)</u>	<u>(\$91,321)</u>	<u>(\$119,594)</u>

See Accompanying Notes to the General Purpose Financial Statements

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River Valley Local School District
 Combined Statement of Revenues, Expenses,
 and Changes in Fund Balances - Budget and Actual
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2002

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$369,732	\$374,133	\$4,401
Charges for Services	0	0	0
Operating Grants	78,000	102,110	24,110
Interest	1,000	875	(125)
Total Revenues	448,732	477,118	28,386
<u>Expenses:</u>			
Salaries	197,360	206,893	(9,533)
Fringe Benefits	100,780	85,098	15,682
Purchased Services	1,060	6,011	(4,951)
Materials and Supplies	160,245	193,682	(33,437)
Capital Outlay	4,940	22	4,918
Total Expenses	464,385	491,706	(27,321)
Excess of Revenues Over (Under) Expenses	(15,653)	(14,588)	1,065
Advances Out	0	(15,000)	(15,000)
Advances In	35,000	50,000	15,000
Excess of Revenues and Advances Over Expenses and Advances	19,347	20,412	1,065
Fund Balances at Beginning of Year	20,246	20,246	0
Prior Year Encumbrances Appropriated	1,385	1,385	0
Fund Balances at End of Year	\$40,978	\$42,043	\$1,065

See Accompanying Notes to the General Purpose Financial Statements

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$369,732	\$374,133	\$4,401
460,500	395,169	(65,331)	460,500	395,169	(65,331)
0	0	0	78,000	102,110	24,110
1,500	1,309	(191)	2,500	2,184	(316)
<u>462,000</u>	<u>396,478</u>	<u>(65,522)</u>	<u>910,732</u>	<u>873,596</u>	<u>(37,136)</u>
0	0	0	197,360	206,893	(9,533)
43,512	35,229	8,283	144,292	120,327	23,965
356,488	211,156	145,332	357,548	217,167	140,381
0	0	0	160,245	193,682	(33,437)
0	0	0	4,940	22	4,918
<u>400,000</u>	<u>246,385</u>	<u>153,615</u>	<u>864,385</u>	<u>738,091</u>	<u>126,294</u>
62,000	150,093	88,093	46,347	135,505	89,158
0	0	0	0	(15,000)	(15,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>35,000</u>	<u>50,000</u>	<u>15,000</u>
62,000	150,093	88,093	81,347	170,505	89,158
0	0	0	20,246	20,246	0
0	0	0	1,385	1,385	0
<u>\$62,000</u>	<u>\$150,093</u>	<u>\$88,093</u>	<u>\$ 102,978</u>	<u>\$ 192,136</u>	<u>\$89,158</u>

River Valley Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$374,133	\$0	\$374,133
Cash Received from Charges for Services	0	465,369	465,369
Cash Payments for Personal Services	(206,893)	0	(206,893)
Cash Payments for Fringe Benefits	(85,098)	0	(85,098)
Cash Payments to Suppliers for Goods and Services	(197,334)	(316,868)	(514,202)
Net Cash Used for /Provided by Operating Activities	<u>(115,192)</u>	<u>148,501</u>	<u>33,309</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Received from Advances In	35,000	0	35,000
Cash Received from Operating Grants	102,111	0	102,111
Net Cash Provided by Noncapital Financing Activities	<u>137,111</u>	<u>0</u>	<u>137,111</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Cash Payments for Fixed Assets	(1,294)	0	(1,294)
Net Cash Used for Noncapital Financing Activities	<u>(1,294)</u>	<u>0</u>	<u>(1,294)</u>
<u>Cash Flows from Investing Activities:</u>			
Cash Received from Interest	875	1,309	2,184
Net Cash Provided by Investing Activities	<u>875</u>	<u>1,309</u>	<u>2,184</u>
Net Increase in Cash and Cash Equivalents	21,500	149,810	171,310
Cash and Cash Equivalents at Beginning of Year	21,633	0	21,633
Cash and Cash Equivalents at End of Year	<u>\$43,133</u>	<u>\$149,810</u>	<u>\$192,943</u>
<u>Reconciliation of Operating Loss to Net</u>			
<u>Cash Used for/ Provided by Operating Activities:</u>			
Operating (Loss)	(\$127,307)	(\$92,630)	(\$219,937)
<u>Adjustments to Reconcile Operating Loss</u>			
<u>to Net Cash Used for/Provided by Operating Activities:</u>			
Depreciation	2,165	0	2,165
Donated Commodities Received During Year	11,277	0	11,277
<u>Changes in Assets and Liabilities:</u>			
Increase in Accounts Receivable	(2,806)	0	(2,806)
Decrease in Inventory Held for Resale	7,991	0	7,991
Decrease in Deferred Revenue	(12,976)	0	(12,976)
Increase in Accounts Payable	2,628	0	2,628
Increase in Accrued Wages and Benefits	3,035	0	3,035
Increase in Compensated Absences Payable	864	0	864
Decrease in Intergovernmental Payable	(63)	0	(63)
Increase in Claims Payable	0	241,131	241,131
Net Cash Used for/Provided by Operating Activities	<u>(\$115,192)</u>	<u>\$148,501</u>	<u>\$33,309</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, 2002

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 seventy-two classified employees, one hundred nine certified full-time teaching personnel, ten central office staff and seven administrative employees who provide services to 1,655 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 a jointly governed organization, a council of governments 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 20 and 21 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, 2002

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.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for and the payment of, general long-term debt principal, interest and related costs.

Capital Project Funds - Capital project 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, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types:

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 are the School District's proprietary fund types:

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.

Internal Service Fund - The Internal Service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis.

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 expendable or non-expendable trust funds in fiscal year 2002. 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 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, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The enterprise funds and internal service fund 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 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, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also 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 and the internal service fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

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.

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 for the General Fund and at the fund level for all other funds. Any budgetary modifications at these levels of control may only be made by resolution of the Board of Education.

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2002.

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 for the general fund and the fund level for all other funds, 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 the general fund, or alter object appropriations within functions of the general fund must be approved by the Board of Education.

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 by the Board.

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 2002, the District invested in STAR Ohio and United States Treasuries, bonds, notes, debentures and other obligations and securities issued by federal government agencies or instrumentalities, as governed by the Ohio Revised Code. Investments 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, 2002.

The School District has allocated interest according to Ohio Statutes. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$255,754, which includes \$66,139 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, the entity deems all investments to be cash equivalents since the proprietary funds can withdraw their equity from the pool at any time without prior notice or penalty.

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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 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.

F. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets are amounts required by State statute to create a reserve for budget stabilization.

G. 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. The School District does not capitalize interest.

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.

H. 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.

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

I. 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.

J. Fund Balance Reserves and Designation

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. The designation for budget stabilization represents monies set aside by resolution of the Board of Education to offset revenue/expenditure fluctuations.

K. Intergovernmental Revenues

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

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Reimbursable Grants

Special Revenue Funds

- Data Communication Fund
- 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
- Summer School Reading Institute
- Ohio Reads Grant
- School Net Professional Development

Capital Project Funds

- School Net
- Ohio School Facilities Commission

Reimbursable Grants

General Fund

- Tech Prep

Special Revenue Fund

- E-Rate Telecommunications

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 70 percent of the revenues of the School District's governmental fund types during the 2002 fiscal year.

L. 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.

M. 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.

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. 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 – RESERVATION 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 prior years the District was also required to set aside money for budget stabilization. For 2002, only the unspent portion of certain workers compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements and budget stabilization during fiscal year 2002.

	Textbooks	Capital Improvements	Budget Stabilization	Total
Balance, June 30, 2001	\$0	\$0	\$51,952	\$51,952
Current Year Set Aside Requirement	205,416	205,416	0	410,832
Current Year Offset	0	(105,667)	0	(105,667)
Qualifying Expenditures	<u>(205,416)</u>	<u>(99,749)</u>	0	<u>(305,165)</u>
Balance, June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$51,952</u>	<u>\$51,952</u>

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 and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual – All Proprietary Fund Types 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).

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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 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	Debt Service	Capital Projects
GAAP Basis	(\$166,673)	\$92,554	\$370,535	\$10,271,090
<u>Increase(Decrease)Due To:</u>				
Revenue Accruals	(149,339)	(40,614)	(16,864)	(137,563)
Expenditure Accruals	9,971	5,102	(445,558)	1,403,946
Proceeds from Sale of Notes	265,000	0	19,600,000	0
Note Principal Retirement	(110,000)	0	(39,200,000)	0
Advances In	15,000	2,000	0	300,000
Advances Out	(352,000)	0	0	0
Inception of Capital Lease	(13,780)	0	0	0
Encumbrances Outstanding at Year end (Budget Basis)	(131,384)	(54,779)	0	(21,839,661)
Budget Basis	(\$633,205)	\$4,263	(\$19,691,887)	(\$10,002,188)

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

	Net Loss/Excess of Revenues and Advances Over (Under) Expenses and Advances Proprietary Funds	
	Enterprise	Internal Service
GAAP Basis	(\$22,508)	(\$91,321)
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals	(4,620)	(70,200)
Expense Accruals	13,627	311,614
Advances In	50,000	0
Advances Out	(15,000)	0
Encumbrances Outstanding At Year End (Budget Basis)	(1,087)	0
Budget Basis	\$20,412	\$150,093

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 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.

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim monies available for deposit any one time.

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.

Cash with Fiscal Agent: At year end, \$113,887 was on deposit with the District's fiscal agent for insurance claims, and is not included in the total amount of deposits reported below. The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore can not be classified by risk under GASB Statement No. 3.

At fiscal year end, the carrying amount of the School District's deposits was \$207,615 and the bank balance was \$756,108. Of the bank balance, \$101,695 was covered by federal depository insurance and \$654,413 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.

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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 and the money market fund are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

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".

Investment	Uncategorized	Category 2
Agency Notes		\$14,096,250
Agency Discount Notes		6,649,314
Money Market Fund	\$472	
Star Ohio	18,208,419	

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:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$39,275,957	\$0
Cash and Cash Equivalents with Fiscal Agent	(113,887)	0
Investments:		
Agency Notes	(14,096,250)	14,096,250
Agency Discount Notes	(6,649,314)	6,649,314
Money Market Fund	(472)	472
Star Ohio	(18,208,419)	18,208,419
GASB Statement No. 3	\$207,615	\$38,954,445

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, 2002. 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, 2002, was \$1,867,250 in the General Fund, \$34,941 in the Special Revenue Classroom Maintenance Fund, \$454,028 in the Debt Service bond retirement fund and \$44,974 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2001, was \$1,747,816 in the General fund and \$33,675 in the special revenue Classroom Maintenance fund, \$441,728 in the debt service Bond Retirement fund and \$21,800 in the Permanent Improvement capital projects fund.

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2002 taxes were collected are:

	<u>2001 Second- Half Collections</u>		<u>2002 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$128,146,530	57.03%	\$143,812,480	57.85%
Industrial/Commercial	41,947,540	18.67%	51,408,020	20.68%
Public Utility	13,917,560	6.19%	10,988,810	4.42%
Tangible Personal	40,682,240	18.11%	42,370,420	17.05%
Total Assessed Value	<u>\$224,693,870</u>	<u>100.00%</u>	<u>\$248,579,730</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$40.31		\$45.88	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accrued interest, 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.

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2002 consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 599,250	
Capital Projects – Building Fund		\$ 462,250
Capital Projects – Permanent Improvement Fund		100,000
Special Revenue – Miscellaneous Federal Grant Fund		2,000
Enterprise – Food Service Fund		25,000
Enterprise – Uniform School Supplies Fund		10,000

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$185,324
Less Accumulated Depreciation	(161,744)
Net Fixed Assets	\$ 23,580

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$926,416	\$156,225	\$0	\$1,082,641
Buildings and Improvements	1,065,742	0	0	1,065,742
Furniture, Fixtures, and Equipment	3,352,368	194,869	12,002	3,535,235
Books	188,281	55,863	0	244,144
Vehicles	1,139,426	297,370	178,655	1,258,141
Construction in Progress	0	8,612,970	0	8,612,970
Totals	\$6,672,233	\$9,317,297	\$190,657	\$15,798,873

NOTE 10 - RISK MANAGEMENT

Property and Liability

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 2002, 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)	\$26,268,351
Inland Marine Coverage (\$100-250 deductible)	832,819
Boiler and Machinery (\$1,000 deductible)	no limit
Automobile Liability (\$250 deductible)	2,000,000

Coverages provided by Nationwide Insurance are as follows:

General School District Liability	
Per Occurrence (\$1,000 deductible)	1,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	3,000,000

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 10 - 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 2002, 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 11 - 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 2002, 5.46 percent was the portion used to fund pension obligations. For fiscal year 2001, 4.2 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, 2002, 2001, and 2000, were \$83,567, \$59,111, and \$77,208, respectively; 52 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$39,766, 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, 2002

NOTE 11 - 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; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. For fiscal year 2001, 9.5 percent was the portion used to fund pension obligations. 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, 2002, 2001, and 2000, were \$503,510, \$495,891, and \$288,361, respectively; 82 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$88,342, 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, 2002, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - 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 of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$238,505 during fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 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 8.54 percent of covered payroll, a decrease from 9.8 percent for fiscal year 2001. 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 2002, 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, 2002

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 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 \$148,436 during the 2002 fiscal year.

NOTE 13 - 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 self-insurance internal service fund which began January 1, 2002. Prior to this date, medical insurance was provided through United Healthcare. 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.

The School District's medical insurance is administrated by Self-Funded Plans, Incorporated, serving as the third party administrator. The claims liability of \$241,131 reported in the internal service fund at June 30, 2002, is based on the requirements of Government Accounting Standards Board Statement No. 10 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred by not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

The changes in the claims payable liability for the fiscal year are as follows:

Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2002	\$0	\$461,027	\$219,896	\$241,131

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - EMPLOYEE BENEFITS (continued)

C. Early Retirement Incentive

The School District offered a special termination benefit to certified employees who retired as of July 1, 2002. 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, 2002, 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, 2002, 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, 2002, the liability for the early retirement incentive was \$8,158.

NOTE 14 - SHORT-TERM OBLIGATIONS

The changes in the School District's notes payables for fiscal year 2002 were as follows:

	Balance at 7/01/01	Additions	Deductions	Balance at 6/30/02
School Bus Bond Anticipation Notes	\$110,000	\$265,000	\$110,000	\$265,000
General Obligation Bond Anticipation Notes Payable	19,600,000	0	19,600,000	0
Total Notes Payable	\$19,710,000	\$265,000	\$19,710,000	\$265,000

During fiscal year 2002, the School District issued notes in anticipation of bond revenues for the purchase of school buses in the amount of \$265,000 with an interest rate of 2.5%. The School District will retire these notes through the General fund. The \$110,000 school bus bond anticipation notes were paid off from General fund revenues in 2002. Additional general obligation bond anticipation notes were issued in 2001, which were reported as long term notes, to repay the above bond anticipation notes of \$19,600,000. Repayment of these short term notes was made in July of 2001.

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Balance at 7/01/01	Additions	Deductions	Balance at 6/30/02
Compensated Absences Payable	\$651,029	\$576	\$0	\$651,605
Intergovernmental Payable	67,477	0	1,676	65,801
Capital Leases Payable	32,709	13,780	16,194	30,295
Bond Anticipation Notes Payable	19,600,000	0	19,600,000	0
General Obligation Bonds Payable	0	19,600,000	0	19,600,000
Total General Long-Term Obligations	<u>\$20,351,215</u>	<u>\$19,614,356</u>	<u>\$19,617,870</u>	<u>\$20,347,701</u>

Compensated absences and intergovernmental payables (representing the School District's contractually required pension contribution), 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 \$22,372,176 with an unvoted debt margin of \$248,580 at June 30, 2002.

On October 17, 2001, River Valley Local School District issued \$19,600,000 in Ohio School Facilities Capital Improvement Bonds for a period of 23 years with an interest rate ranging from 2.2% to 5.625%. These bonds were issued to retire \$19,600,000 in bond anticipation notes that were recorded in the general long term debt account group in the prior year.

These bonds are being used to finance part of a \$43,500,000 district wide building project which will include a new high school / middle school campus and two elementary schools. Amortization of the above debt, including interest, is scheduled as follows:

Year	General Obligation Bonds	
	Principal	Interest
2003	\$ 535,000	\$ 887,389
2004	\$ 565,000	\$ 874,724
2005	\$ 570,000	\$ 860,106
2006	\$ 595,000	\$ 843,344
2007	\$ 615,000	\$ 824,425
2008-2012	\$ 3,495,000	\$ 3,725,318
2013-2017	\$ 4,540,000	\$ 2,868,853
2018-2022	\$ 5,850,000	\$ 1,529,400
2023-2024	\$ 2,835,000	\$ 149,081
Total	<u>\$19,600,000</u>	<u>\$12,562,640</u>

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 16 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for 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 \$75,960. 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 2002 totaled \$16,194 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, 2002.

Fiscal Year Ending June 30,	GLTDAG
2003	\$23,214
2004	5,622
2005	5,622
Total	34,458
Less Amount Representing Interest	(4,163)
Present Value of Net Minimum Lease Payments	\$30,295

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 17 – 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, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$341,259	\$35,680	\$376,939
Depreciation Expense	2,165	0	2,165
Operating Income/(Loss)	(130,886)	3,579	(127,307)
Federal Donated Commodities	11,277	0	11,277
Operating Grants	92,647	0	92,647
Net Loss	(26,086)	3,578	(22,508)
Fixed Assets Additions	1,294	0	1,294
Net Working Capital	(77,593)	25,740	(51,853)
Total Assets	48,792	36,158	84,950
Total Equity	(54,014)	25,741	(28,273)
Encumbrances Outstanding (Budget Basis) at Year End	263	824	1,087

NOTE 18 – INTERFUND TRANSFERS

During fiscal year 2002, the following transfers were made:

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
General	\$400,692	
Capital Projects – Permanent Improvement Fund		\$345,000
Capital Projects – Building Fund		\$55,692

Transfers at the District were used to allocate unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 19 – COMPLIANCE AND ACCOUNTABILITY

A. Compliance

At fiscal year end, the District's budgetary expenditures exceeded appropriation authority in the Food Service enterprise fund by \$50,986 and in the Eisenhower Grant special revenue fund by \$1,006.

B. Accountability

The deficit retained earnings of \$54,013 in the Food Service enterprise fund and \$91,321 in the Self Insurance internal service fund as well as the deficit fund balance of \$1,732 in the Miscellaneous Federal Grants special revenue fund are caused by the application of GAAP, specifically related to accrued wages, compensated absences, interfund payables, intergovernmental payables, and claims payable.

The deficit retained earnings in the enterprise fund will be eliminated by lunch fees and other subsidies not recognized and recorded at June 30, while the deficit retained earnings in the internal service fund will be eliminated by future insurance premiums collected from District employees. The deficit fund balance in the special revenue fund will be eliminated by future District grants not recognized and recorded at June 30.

NOTE 20 – JOINTLY GOVERNED ORGANIZATION AND COUNCIL OF GOVERNMENTS

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 and a council of governments. The council of governments currently exists of 40 member school districts in the Ohio counties of Cuyahoga, Delaware, Hamilton, Knox, Mahoning, Marion, Morrow, Muskingum, Summit, Trumbull, and Wyandot. 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.

River Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 21 – 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 22 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 23 – 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, 2002.

B. Litigation

There are currently no matters in litigation with the School District as defendant that in management’s opinion will have a material effect, if any, on the financial position of the District.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDING JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through the Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$11,277	\$0	\$23,711
National School Lunch Program	48447-LLP1/P4-2001 48447-LLP4-2002	10.555	22,033 76,926	0	22,033 76,926	0
Total U.S. Department of Agriculture - Nutrition Cluster			98,959	11,277	98,959	23,711
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Grants to States	48447-6BSF-2001-P 48447-6BSF-2002-P	84.027	0 126,293	0 0	7,291 117,725	0 0
Total Special Education Grants to States			126,293	0	125,016	0
Title I Grants to Local Educational Agencies	48447-C1SD-2000 48447-C1S1-2001 48447-C1S1-2002	84.010	0 34,095 101,738	0 0 0	9,413 124,537 94,322	0 0 0
Total Title I Grants to Local Educational Agencies			135,833	0	228,272	0
Eisenhower Professional Development State Grants	48447-MSS1-2001 48447-MSS1-2002	84.281	0 7,488	0 0	4,600 3,720	0 0
Total Eisenhower Professional Development State Grant			7,488	0	8,320	0
Safe and Drug-Free Schools and Communities State Grant	48447-DRS1-2000 48447-DRS1-2001 48447-DRS1-2002	84.186	0 1,400 1,465	0 0 0	1,600 1,167 1,266	0 0 0
Total Safe and Drug-Free Schools and Communities State Grant			2,865	0	4,033	0
Innovative Educational Program Strategies	48447-C2S1-2002	84.298	8,778	0	5,127	0
Class Size Reduction	48447-CRS1-2000 48447-CRS1-2001 48447-CRS1-2002	84.340	0 12,227 11,297	0 0 0	11,035 15,268 11,297	0 0 0
Total Class Size Reduction			23,524	0	37,600	0
Goals 2000_State and Local Education Systemic Improvement Grants	48447-G2S9-2001	84.276	15,000	0	3,067	0
<i>Passed Through Marion Technical College:</i>						
Tech Prep Education	N/A	84.243	15,000	0	15,000	0
Total U.S. Department of Education			334,781	0	426,435	0
UNITED STATES DEPARTMENT OF THE ARMY						
Defense Environmental Restoration Program	N/A	CA-01-RVLS D	11,572,438	0	2,989,971	0
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			12,006,178	11,277	3,515,365	23,711

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the 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. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C – PASS THROUGH ENTITY NUMBER: TECH PREP EDUCATION

This grant does not have or require a pass through identity number.

NOTE D – CFDA NUMBER: DEFENSE ENVIRONMENTAL RESTORATION PROGRAM

This program does not have a CFDA number. It uses an identifying number.

NOTE E – MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included in the Schedule.



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Betty Montgomery**

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**INDEPENDENT ACCOUNTANTS' 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 43302-8598

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, 2002, and have issued our report thereon dated January 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 January 31, 2003.

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 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 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 31, 2003.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

January 31, 2003



**Auditor of State
Betty Montgomery**

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**INDEPENDENT ACCOUNTANTS' 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 43302-8598

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, 2002. 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 auditing standards generally accepted in the United States of America; 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, 2002. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated January 31, 2003.

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.

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, 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.



BETTY MONTGOMERY
Auditor of State

January 31, 2003

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

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 non-compliance 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 Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CA-01-RVLSD: Defense Environmental Restoration Program
<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



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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 11, 2003**