



Dave Yost • Auditor of State

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

We were unable to obtain sufficient evidence to support the completeness of school age child care charges for services receipts comprising 97% of total receipts in business-type activities, nor were we able to satisfy ourselves as to those receipts by other auditing procedures.

In our opinion, except for the effects of not being able to obtain sufficient evidence regarding business-type activities charges for services receipts as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General and Classroom Facilities Maintenance funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Additionally, the District reclassified the School Age Child Care fund from the Special Revenue to Enterprise fund type.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 10, 2012

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of River Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2011 are as follows:

In total, net assets increased \$581,379, or less than 2 percent, and not a significant change from the prior fiscal year.

General revenues were \$13,771,919, or almost 70 percent of total revenues, and reflect the School District's continued dependence on property taxes and unrestricted state entitlements. General revenues remained very similar to the prior fiscal year (change of less than 1 percent).

The School District continues to use the five-year forecast as the main financial management tool to determine future levies and/or adjustments to the budget. Assumptions are reviewed carefully by the River Valley Finance Committee and Board of Education to determine their reasonableness.

In fiscal year 2011, the number of employees paid out of the General Fund was reduced by eleven individuals. These reductions were the result of a reduction in force and not replacing employees that retired. Even with these reductions, the School District's current five-year forecast reflects expenses in excess of revenues for fiscal years 2013 through 2016; however, a positive year end fund balance is maintained through fiscal year 2014. The forecast assumes that a 2.91 mill emergency levy will be renewed as scheduled. Fiscal years 2015 and 2016 reflect deficit fund balances. The Board of Education created the River Valley Community Task Force Committee in January 2010 to solicit input from the community on the School District's various financial issues.

The School District began aggressively collecting excess costs for nonresident special education students. The Ohio Department of Education also revised the collection process for nonresident students at the North Central Ohio Rehabilitation Center allowing the School District to collect tuition via the State Foundation Program rather than directly billing the resident school districts. This allowed for a two year collection of revenues in fiscal year 2011; annual collections will begin in fiscal year 2012.

The School District continues to be self insured for employee medical/drug insurance; OME-RESA Health Benefits serves as the administrator of the insurance plan with Self Funded Plans being the third party administrator. The Employee Benefits Fund had an operating income for fiscal year 2011, a turnaround from the prior fiscal year's operating loss. The committee continues to look at options to provide adequate health care at an affordable cost to everyone.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand River Valley Local School District as a financial whole, or as an entire operating entity.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For River Valley Local School District, the General Fund, the Classroom Facilities Maintenance special revenue fund, and the Bond Retirement debt service fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School Aged Child Care fund is reported as a business-type activity.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, the Classroom Facilities Maintenance special revenue fund, and the Bond Retirement debt service fund.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Proprietary Funds - The School District has two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements and use the accrual basis of accounting. The School District uses an enterprise fund to account for the School Aged Child Care program. The internal service fund is an accounting device used to accumulate and allocate internal costs among other programs and activities. The School District's internal service fund accounts for self-insured medical insurance and drug program.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2011 and fiscal year 2010:

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
<u>Assets</u>						
Current and Other Assets	\$13,448,347	\$13,118,162	\$5,119	\$21,901	\$13,453,466	\$13,140,063
Capital Assets, Net	37,442,167	38,225,180	0	0	37,442,167	38,225,180
Total Assets	50,890,514	51,343,342	5,119	21,901	50,895,633	51,365,243
<u>Liabilities</u>						
Current and Other Liabilities	6,072,403	6,263,081	26,067	44,009	6,098,470	6,307,090
Long-Term Liabilities	14,930,529	15,773,671	1,856	1,083	14,932,385	15,774,754
Total Liabilities	21,002,932	22,036,752	27,923	45,092	21,030,855	22,081,844
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	\$23,632,168	\$23,635,180	\$0	\$0	\$23,632,168	\$23,635,180
Restricted	3,566,651	3,645,113	0	0	3,566,651	3,645,113
Unrestricted (Deficit)	2,688,763	2,026,297	(22,804)	(23,191)	2,665,959	2,003,106
Total Net Assets (Deficit)	\$29,887,582	\$29,306,590	(\$22,804)	(\$23,191)	\$29,864,778	\$29,283,399

The change in net assets for governmental activities was not significant (less than 2 percent); however, there was a fairly significant increase in unrestricted net assets due to an increase in cash and cash equivalents. This increase was due, in part, to excess costs (tuition) collected for special education students.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The change for business-type activities was not significant; however, the program continues to have deficit net assets and due to fewer participants in the program, this decline is likely to continue.

Table 2 reflects the change in net assets for fiscal year 2011 and 2010.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for Services	\$3,756,465	\$3,705,791	\$122,837	\$135,510	\$3,879,302	\$3,841,301
Operating Grants, Contributions, and Interest	2,213,911	2,244,377	0	0	2,213,911	2,244,377
Total Program Revenues	5,970,376	5,950,168	122,837	135,510	6,093,213	6,085,678
General Revenues						
Property Taxes Levied for General Purposes	5,495,815	5,618,441	0	0	5,495,815	5,618,441
Property Taxes Levied for Classroom Facilities Purposes	95,770	97,963	0	0	95,770	97,963
Property Taxes Levied for Debt Service Purposes	930,587	943,618	0	0	930,587	943,618
Payment in Lieu of Taxes	212,794	216,302	0	0	212,794	216,302
Grants and Entitlements	6,793,394	6,821,905	0	0	6,793,394	6,821,905
Interest	29,651	59,360	0	0	29,651	59,360
Gifts and Donations	15,097	0	0	0	15,097	0
Miscellaneous	198,811	147,482	3,341	0	202,152	147,482
Total General Revenues	13,771,919	13,905,071	3,341	0	13,775,260	13,905,071
Total Revenues	19,742,295	19,855,239	126,178	135,510	19,868,473	19,990,749
Expenses						
Instruction:						
Regular	\$9,561,378	\$10,323,686	\$0	\$0	\$9,561,378	\$10,323,686
Special	1,538,042	1,628,475	0	0	1,538,042	1,628,475
Vocational	187,186	205,794	0	0	187,186	205,794
Support Services:						
Pupils	372,441	487,454	0	0	372,441	487,454
Instructional Staff	854,127	945,857	0	0	854,127	945,857
Board of Education	15,172	15,855	0	0	15,172	15,855
Administration	1,558,175	1,580,319	0	0	1,558,175	1,580,319
Fiscal	431,608	482,957	0	0	431,608	482,957
Business	53,453	34,189	0	0	53,453	34,189
Operation and Maintenance of Plant	1,307,486	1,346,995	0	0	1,307,486	1,346,995
Pupil Transportation	1,135,232	1,101,094	0	0	1,135,232	1,101,094
Central	66,421	81,999	0	0	66,421	81,999
Non-Instructional Services	840,183	806,309	0	0	840,183	806,309
Extracurricular Activities	586,437	554,606	0	0	586,437	554,606
Interest and Fiscal Charges	653,962	678,302	0	0	653,962	678,302
School Aged Child Care	0	0	125,791	168,952	125,791	168,952
Total Expenses	19,161,303	20,273,891	125,791	168,952	19,287,094	20,442,843
Increase (Decrease) in Net Assets	580,992	(418,652)	387	(33,442)	581,379	(452,094)
Net Assets (Deficit) at Beginning of Year	29,306,590	29,725,242	(23,191)	10,251	29,283,399	29,735,493
Net Assets (Deficit) at End of Year	\$29,887,582	\$29,306,590	(\$22,804)	(\$23,191)	\$29,864,778	\$29,283,399

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

For governmental activities, program revenues represented approximately 30 percent of total revenues (no change from fiscal year 2010) and are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues. Both program revenues and general revenues were very similar to the prior fiscal year.

Expenses for governmental activities decreased 5 percent from the prior fiscal year primarily due to staff reductions. The major program expense for governmental activities, as expected, is for instruction, which accounts 59 percent of all governmental activities expenses. The instruction category, however, does not include all activities associated with educating students such as the pupils, instructional staff, and pupil transportation costs have a significant role in delivering education.

For business-type activities, both revenues and expenses decreased for the School Aged Child Care program due to fewer participants in the program.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction:				
Regular	\$9,561,378	\$10,323,686	\$6,406,636	\$7,362,479
Special	1,538,042	1,628,475	(373)	(233,128)
Vocational	187,186	205,794	110,076	129,355
Support Services:				
Pupils	372,441	487,454	372,441	487,454
Instructional Staff	854,127	945,857	854,127	945,857
Board of Education	15,172	15,855	15,172	15,855
Administration	1,558,175	1,580,319	1,558,175	1,580,319
Fiscal	431,608	482,957	431,608	482,957
Business	53,453	34,189	53,453	34,189
Operation and Maintenance of Plant	1,307,486	1,346,995	1,307,486	1,337,850
Pupil Transportation	1,135,232	1,101,094	1,129,798	1,096,754
Central	66,421	81,999	52,321	76,999
Non-Instructional Services	840,183	806,309	(31,153)	13,801
Extracurricular Activities	586,437	554,606	277,198	314,680
Interest and Fiscal Charges	653,962	678,302	653,962	678,302
Total Expenses	<u>\$19,161,303</u>	<u>\$20,273,891</u>	<u>\$13,190,927</u>	<u>\$14,323,723</u>

Only a few of the School District's programs receive a significant amount of program revenues to offset their costs. Again in fiscal year 2011, one of these programs was special instruction which was completely provided for through program revenues, much of this in the form of operating grants restricted for special instruction purposes. For 2011, program revenues also provided for the entire cost of the non-instructional services program. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Due to the implementation of an extracurricular fee in fiscal year 2006, 53 percent of extracurricular activities expenses are covered by program revenues. The extracurricular fee is monitored closely to determine the affects on participation as the Board of Education feels strongly that extracurricular activities are a vital part of the life of River Valley students. In addition, this program receives gate receipts for athletic and music events.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

Governmental Funds Financial Analysis

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Through cost containment efforts the General Fund had a 41 percent increase in fund balance from fiscal year 2010. Revenues had a very modest increase (less than 2 percent); however, expenditures decreased almost 7 percent, in large part due to staffing changes. The School District did not deficit spend in fiscal year 2011 allowing for an increase in our carryover fund balance as a part of the planning strategy to overcome future deficit years.

The decrease in fund balance in the Classroom Facilities Maintenance Fund resulted from maintenance and repairs exceeding property tax and related receipts during the fiscal year. Debt service requirements also exceeded property tax and related receipts in the Bond Retirement Fund resulting in a decrease in fund balance.

Business-Type Activity Financial Analysis

The School District's business-type activity is the school age child care program. For fiscal year 2011, this activity had an operating income; however, continued to have deficit nets as of fiscal year end.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2011, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget and from the final budget to actual revenues received were not significant. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$37,442,167 invested in capital assets (net of accumulated depreciation), a decrease of 2 percent. This decrease is the result of annual depreciation expense. Additions and disposals were minimal. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2011, included School Improvement general obligation bonds, in the amount of \$14,157,954. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

Current Issues

The School District's five-year forecast continues to be the instrument used to make future decisions with regard to program and funding strategies. With budget modifications in the way of reductions and realignment, the School District has been able to forecast a positive cash carryover going into fiscal year 2012. With prudent action on the part of the School District, a positive fund balance is projected through 2014.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The national and state economy continues to be a concern. American Recovery and Reinvestment Act stabilization funds have ended and the Education Jobs Fund will be expended into fiscal year 2012. Decisions are being made as to the recapture of those employees being paid by these funds into the General Fund. The State biennium budget promises to implement a new funding formula and any change in the law regarding open enrollment students could have a material impact on the School District as this revenue source is about 17 percent of the School District's total revenue.

A 1.5 mill permanent improvement levy was on the November 8, 2011, ballot and, if approved, would have generated about \$390,000 per year for textbooks, transportation, and technology. This would have had a two-fold effect; it would have allowed the School District to update these three areas which have been affected by budget reductions in the past several years and it would have relieved the General Fund of this type of expenditure that was incurred on a most need basis. However, voters chose not to approve the levy request.

The operations of the River Valley Academy (RVA), a community school sponsored by the River Valley Local School District, continues in a suspended status pending additional information from the State of Ohio on the operation of community schools. The sponsor contract between the School District and RVA ends in June 2012 and the River Valley Board of Education will make a decision in early 2012 as to its' continuance.

Contacting the School District's Financial Management

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

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**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activity	Total	River Valley Academy
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,617,202	\$20,488	\$4,637,690	\$81,732
Cash and Cash Equivalents with Fiscal Agent	1,038,282	0	1,038,282	0
Accounts Receivable	17,370	0	17,370	0
Intergovernmental Receivable	572,443	0	572,443	0
Internal Balances	15,369	(15,369)	0	0
Inventory Held for Resale	16,046	0	16,046	0
Materials and Supplies Inventory	51,211	0	51,211	0
Property Taxes Receivable	6,788,455	0	6,788,455	0
Payment in Lieu of Taxes Receivable	199,718	0	199,718	0
Unamortized Issuance Cost	132,251	0	132,251	0
Nondepreciable Capital Assets	971,089	0	971,089	0
Depreciable Capital Assets, Net	36,471,078	0	36,471,078	48,562
Total Assets	50,890,514	5,119	50,895,633	130,294
<u>Liabilities:</u>				
Accounts Payable	112,421	979	113,400	0
Accrued Wages and Benefits Payable	1,353,777	8,693	1,362,470	0
Matured Compensated Absences Payable	77,874	0	77,874	0
Intergovernmental Payable	420,764	16,395	437,159	0
Deferred Revenue	3,826,539	0	3,826,539	0
Accrued Interest Payable	95,762	0	95,762	0
Separation Benefits Payable	23,537	0	23,537	0
Claims Payable	161,729	0	161,729	0
Long-Term Liabilities:				
Due Within One Year	921,917	0	921,917	0
Due in More Than One Year	14,008,612	1,856	14,010,468	0
Total Liabilities	21,002,932	27,923	21,030,855	0
<u>Net Assets:</u>				
Invested in Capital Assets, Net of Related Debt	23,632,168	0	23,632,168	48,562
Restricted For:				
Debt Service	1,292,669	0	1,292,669	0
Capital Projects	48,498	0	48,498	0
Classroom Facilities Maintenance	1,392,989	0	1,392,989	0
Other Purposes	832,495	0	832,495	0
Unrestricted (Deficit)	2,688,763	(22,804)	2,665,959	81,732
Total Net Assets	\$29,887,582	(\$22,804)	\$29,864,778	\$130,294

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF ACTIVITIES
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Revenues	
Expenses	Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities</u>		
Instruction:		
Regular	\$9,561,378	\$2,742,096
Special	1,538,042	338,206
Vocational	187,186	0
Support Services:		
Pupils	372,441	0
Instructional Staff	854,127	0
Board of Education	15,172	0
Administration	1,558,175	0
Fiscal	431,608	0
Business	53,453	0
Operation and Maintenance of Plant	1,307,486	0
Pupil Transportation	1,135,232	0
Central	66,421	0
Non-Instructional Services	840,183	436,024
Extracurricular Activities	586,437	240,139
Interest and Fiscal Charges	653,962	0
Total Governmental Activities	19,161,303	3,756,465
 <u>Business-Type Activity</u>		
School Age Child Care	125,791	122,837
Total Primary Government	\$19,287,094	\$3,879,302
 <u>Component Unit</u>		
River Valley Academy	\$13,320	\$0

General Revenues:

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

Change in Net Assets

Net Assets (Deficit) at Beginning of Year - Restated (Note 3)
Net Assets (Deficit) at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Assets				
Governmental Activities	Primary Government		Component Unit	
	Business-Type Activity	Total	River Valley Academy	
(\$6,406,636)	\$0	(\$6,406,636)	\$0	
373	0	373	0	
(110,076)	0	(110,076)	0	
(372,441)	0	(372,441)	0	
(854,127)	0	(854,127)	0	
(15,172)	0	(15,172)	0	
(1,558,175)	0	(1,558,175)	0	
(431,608)	0	(431,608)	0	
(53,453)	0	(53,453)	0	
(1,307,486)	0	(1,307,486)	0	
(1,129,798)	0	(1,129,798)	0	
(52,321)	0	(52,321)	0	
31,153	0	31,153	0	
(277,198)	0	(277,198)	0	
(653,962)	0	(653,962)	0	
(13,190,927)	0	(13,190,927)	0	
0	(2,954)	(2,954)	0	
(13,190,927)	(2,954)	(13,193,881)	0	
0	0	0	(13,320)	
5,495,815	0	5,495,815	0	
95,770	0	95,770	0	
930,587	0	930,587	0	
212,794	0	212,794	0	
6,793,394	0	6,793,394	0	
29,651	0	29,651	0	
15,097	0	15,097	0	
198,811	3,341	202,152	846	
13,771,919	3,341	13,775,260	846	
580,992	387	581,379	(12,474)	
29,306,590	(23,191)	29,283,399	142,768	
<u>\$29,887,582</u>	<u>(\$22,804)</u>	<u>\$29,864,778</u>	<u>\$130,294</u>	

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,107,104	\$1,050,659	\$947,278	\$478,254	\$4,583,295
Cash and Cash Equivalents					
with Fiscal Agent	0	0	0	302	302
Accounts Receivable	13,204	0	3,007	1,159	17,370
Intergovernmental Receivable	4,542	78	760	567,063	572,443
Interfund Receivable	17,024	303,796	0	0	320,820
Inventory Held for Resale	2,145	0	0	13,901	16,046
Materials and Supplies Inventory	48,556	0	0	2,655	51,211
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	33,907	0	0	0	33,907
Property Taxes Receivable	5,803,290	112,979	872,186	0	6,788,455
Payment in Lieu of Taxes Receivable	199,718	0	0	0	199,718
Total Assets	<u>\$8,229,490</u>	<u>\$1,467,512</u>	<u>\$1,823,231</u>	<u>\$1,063,334</u>	<u>\$12,583,567</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts Payable	\$104,428	\$6,551	\$0	\$1,442	\$112,421
Accrued Wages and Benefits Payable	1,192,100	0	0	161,677	1,353,777
Matured Compensated Absences Payable	77,874	0	0	0	77,874
Intergovernmental Payable	364,631	0	0	56,133	420,764
Interfund Payable	303,796	0	0	1,655	305,451
Deferred Revenue	3,798,715	76,219	515,366	566,014	4,956,314
Total Liabilities	<u>5,841,544</u>	<u>82,770</u>	<u>515,366</u>	<u>786,921</u>	<u>7,226,601</u>
Fund Balances:					
Nonspendable	50,701	303,796	0	16,556	371,053
Restricted	35,840	1,080,946	1,307,865	336,412	2,761,063
Assigned	53,283	0	0	0	53,283
Unassigned (Deficit)	2,248,122	0	0	(76,555)	2,171,567
Total Fund Balances	<u>2,387,946</u>	<u>1,384,742</u>	<u>1,307,865</u>	<u>276,413</u>	<u>5,356,966</u>
Total Liabilities and Fund Balances	<u>\$8,229,490</u>	<u>\$1,467,512</u>	<u>\$1,823,231</u>	<u>\$1,063,334</u>	<u>\$12,583,567</u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011**

Total Governmental Fund Balances \$5,356,966

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 37,442,167

Other long-term assets are not available to pay for current
period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	4,832	
Intergovernmental Receivable	571,183	
Property Taxes Receivable	<u>553,760</u>	
		1,129,775

Unamortized issuance costs represent deferred charges
which do not provide current financial resources and,
therefore, are not reported in the funds. 132,251

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

Accrued Interest Payable	(95,762)	
School Improvement Bonds Payable	(14,157,954)	
Compensated Absences Payable	(772,575)	
Separation Benefits Payable	<u>(23,537)</u>	
		(15,049,828)

An internal service fund is used by management to charge
the cost of insurance to individual funds. The assets and
liabilities of the internal service fund are included in
governmental activities on the statement of net assets. 876,251

Net Assets of Governmental Activities \$29,887,582

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$5,497,483	\$95,884	\$931,663	\$0	\$6,525,030
Payment in Lieu of Taxes	212,794	0	0	0	212,794
Intergovernmental	6,544,175	39,576	298,525	1,937,444	8,819,720
Interest	4,428	5,179	0	203	9,810
Tuition and Fees	3,207,788	0	0	0	3,207,788
Extracurricular Activities	0	0	0	306,619	306,619
Charges for Services	0	0	0	436,024	436,024
Gifts and Donations	15,097	0	0	6,957	22,054
Miscellaneous	197,483	0	3,007	16,619	217,109
Total Revenues	15,679,248	140,639	1,233,195	2,703,866	19,756,948
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	8,546,042	0	0	549,205	9,095,247
Special	943,739	0	0	552,262	1,496,001
Vocational	170,346	0	0	3,967	174,313
Support Services:					
Pupils	386,182	0	0	20,087	406,269
Instructional Staff	537,229	0	0	304,149	841,378
Board of Education	15,172	0	0	0	15,172
Administration	1,444,589	0	0	85,649	1,530,238
Fiscal	409,044	1,161	12,492	189	422,886
Business	53,453	0	0	0	53,453
Operation and Maintenance of Plant	1,262,185	0	0	48,142	1,310,327
Pupil Transportation	1,055,889	0	0	15,949	1,071,838
Central	60,356	0	0	4,977	65,333
Non-Instructional Services	0	0	0	772,210	772,210
Extracurricular Activities	12,474	0	0	394,584	407,058
Capital Outlay	0	209,284	0	8,149	217,433
Debt Service:					
Principal Retirement	0	0	780,000	0	780,000
Interest and Fiscal Charges	0	0	589,256	0	589,256
Total Expenditures	14,896,700	210,445	1,381,748	2,759,519	19,248,412
Excess of Revenues Over (Under) Expenditures	782,548	(69,806)	(148,553)	(55,653)	508,536
<u>Other Financing Sources (Uses):</u>					
Transfers In	0	0	0	84,624	84,624
Transfers Out	(84,624)	0	0	0	(84,624)
Total Other Financing Sources (Uses)	(84,624)	0	0	84,624	0
Changes in Fund Balances	697,924	(69,806)	(148,553)	28,971	508,536
Fund Balances at Beginning of Year - Restated (Note 3)	1,690,022	1,454,548	1,456,418	247,442	4,848,430
Fund Balances at End of Year	\$2,387,946	\$1,384,742	\$1,307,865	\$276,413	\$5,356,966

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Changes in Fund Balances - Total Governmental Funds		\$508,536
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current fiscal year:</p>		
Capital Outlay - Depreciable Capital Assets	70,539	
Depreciation	<u>(848,352)</u>	(777,813)
<p>The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities.</p>		
		(5,200)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Property Taxes	(2,858)	
Intergovernmental	104,877	
Tuition and Fees	(128,338)	
Extracurricular Activities	(6,054)	
Miscellaneous	<u>(2,324)</u>	(34,697)
<p>Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		780,000
<p>Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net activities. Accounting losses are amortized over the life of the debt on the statement of activities.</p>		
Accrued Interest Payable	4,895	
Annual Accretion on Capital Appreciation Bonds	(69,602)	
Amortization of Premium	2,854	
Amortization of Accounting Loss	<u>(2,125)</u>	(63,978)
<p>Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities.</p>		
		(\$728)
<p>Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated Absences Payable	132,015	
Separation Benefits Payable	<u>1,219</u>	133,234
<p>The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.</p>		
Interest Revenue	20,044	
Allocated to Activities	<u>21,594</u>	41,638
Change in Net Assets of Governmental Activities		<u>\$580,992</u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$5,453,002	\$5,460,002	\$5,460,704	\$702
Payment in Lieu of Taxes	210,100	212,292	212,292	0
Intergovernmental	6,577,228	6,649,228	6,544,175	(105,053)
Interest	8,000	4,800	4,445	(355)
Tuition and Fees	2,961,865	3,161,865	3,209,221	47,356
Gifts and Donations	0	15,000	15,097	97
Miscellaneous	87,700	186,510	187,782	1,272
Total Revenues	<u>15,297,895</u>	<u>15,689,697</u>	<u>15,633,716</u>	<u>(55,981)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,901,531	8,719,311	8,660,099	59,212
Special	1,123,761	1,010,524	973,201	37,323
Vocational	166,022	195,013	193,002	2,011
Support Services:				
Pupils	495,643	446,253	417,714	28,539
Instructional Staff	412,090	566,581	562,623	3,958
Board of Education	20,050	15,635	14,980	655
Administration	1,353,613	1,418,820	1,411,352	7,468
Fiscal	430,049	437,152	434,357	2,795
Business	53,640	58,386	51,894	6,492
Operation and Maintenance of Plant	1,302,519	1,285,470	1,274,820	10,650
Pupil Transportation	960,639	1,073,320	1,054,758	18,562
Central	73,528	70,490	60,783	9,707
Extracurricular Activities	14,800	12,866	12,488	378
Debt Service:				
Principal Retirement	25,000	25,000	0	25,000
Total Expenditures	<u>15,332,885</u>	<u>15,334,821</u>	<u>15,122,071</u>	<u>212,750</u>
Excess of Revenues Over (Under) Expenditures	<u>(34,990)</u>	<u>354,876</u>	<u>511,645</u>	<u>156,769</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	0	11,278	11,278
Refund of Prior Year Receipts	0	(35,000)	(24,603)	10,397
Advances Out	0	0	(40,000)	(40,000)
Transfers Out	(125,000)	(90,000)	(84,624)	5,376
Total Other Financing Sources (Uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(137,949)</u>	<u>(12,949)</u>
Changes in Fund Balance	(159,990)	229,876	373,696	143,820
Fund Balance at Beginning of Year	1,670,493	1,670,493	1,670,493	0
Prior Year Encumbrances Appropriated	62,082	62,082	62,082	0
Fund Balance at End of Year	<u>\$1,572,585</u>	<u>\$1,962,451</u>	<u>\$2,106,271</u>	<u>\$143,820</u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$95,000	\$95,000	\$95,471	\$471
Intergovernmental	35,000	45,000	39,576	(5,424)
Interest	0	1,471	5,733	4,262
Total Revenues	<u>130,000</u>	<u>141,471</u>	<u>140,780</u>	<u>(691)</u>
<u>Expenditures:</u>				
Current:				
Support Services:				
Fiscal	5,000	5,000	1,161	3,839
Operation and Maintenance of Plant	0	170,000	0	170,000
Capital Outlay	243,253	243,253	389,176	(145,923)
Total Expenditures	<u>248,253</u>	<u>418,253</u>	<u>390,337</u>	<u>27,916</u>
Excess of Revenues				
Under Expenditures	(118,253)	(276,782)	(249,557)	27,225
<u>Other Financing Sources:</u>				
Advances In	0	25,000	25,000	0
Changes in Fund Balance	(118,253)	(251,782)	(224,557)	27,225
Fund Balance at Beginning of Year	1,079,925	1,079,925	1,079,925	0
Prior Year Encumbrances Appropriated	23,253	23,253	23,253	0
Fund Balance at End of Year	<u>\$984,925</u>	<u>\$851,396</u>	<u>\$878,621</u>	<u>\$27,225</u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	Business-Type Activity	Governmental Activity
	School Age Child Care	Internal Service
<u>Current Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$20,488	\$0
Cash and Cash Equivalents with Fiscal Agent	0	1,037,980
Total Assets	20,488	1,037,980
<u>Current Liabilities:</u>		
Accounts Payable	979	0
Accrued Wages and Benefits Payable	8,693	0
Intergovernmental Payable	16,395	0
Interfund Payable	15,369	0
Claims Payable	0	161,729
Total Current Liabilities	41,436	161,729
<u>Non-Current Liabilities:</u>		
Compensated Absences Payable	1,856	0
Total Liabilities	43,292	161,729
<u>Net Assets:</u>		
Unrestricted (Deficit)	(\$22,804)	\$876,251

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Business-Type Activity	Governmental Activity
	School Age Child Care	Internal Service
<u>Operating Revenues:</u>		
Charges for Services	\$122,837	\$2,420,206
Miscellaneous	3,341	0
	126,178	2,420,206
<u>Operating Expenses:</u>		
Salaries	92,069	0
Fringe Benefits	19,470	0
Purchased Services	5,127	552,488
Materials and Supplies	9,125	0
Claims	0	1,846,124
	125,791	2,398,612
Operating Income	387	21,594
Interest Revenue	0	20,044
Change in Net Assets	387	41,638
Net Assets (Deficit) at Beginning of Year - Restated (Note 3)	(23,191)	834,613
Net Assets (Deficit) at End of Year	(\$22,804)	\$876,251

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Business-Type Activity	Governmental Activity
	School Age Child Care	Internal Service
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$122,837	\$0
Cash Received from Transactions with Other Funds	0	2,420,206
Cash Received from Miscellaneous Revenues	3,341	0
Cash Payments for Salaries	(103,733)	0
Cash Payments for Fringe Benefits	(24,684)	0
Cash Payments for Goods and Services	(14,174)	(552,488)
Cash Payments for Claims	0	(1,811,374)
	(16,413)	56,344
<u>Net Cash Provided by (Used for) Operating Activities</u>		
<u>Cash Flows from Noncapital Financing Activities</u>		
Advances In	15,000	0
<u>Cash Flows from Investing Activities:</u>		
Cash Received from Interest	0	20,044
	(1,413)	76,388
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash and Cash Equivalents at Beginning of Year	21,901	961,592
Cash and Cash Equivalents at End of Year	\$20,488	\$1,037,980
<u>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</u>		
Operating Income	\$387	\$21,594
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:</u>		
Decrease in Accrued Wages Payable	(12,437)	0
Decrease in Accounts Payable	(291)	0
Decrease in Due to Other Governments	(5,214)	0
Increase in Compensated Absences Payable	773	0
Increase in Interfund Payable	369	0
Increase in Claims Payable	0	34,750
	(\$16,413)	\$56,344
<u>Net Cash Provided by (Used for) Operating Activities</u>		

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,250	\$132,823
<u>Liabilities:</u>		
Due to Students	0	\$130,867
Undistributed Assets	0	1,956
Total Liabilities	0	\$132,823
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$1,250	

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Note 1 - Description of the School District and Reporting Entity

River Valley Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1960. The School District serves an area of approximately one hundred thirty-one square miles. It is located in Marion and Morrow Counties, and includes all of the Villages of Caledonia, Claridon, Martel, and Waldo. The School District is the 243rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixty-eight classified employees, one hundred thirteen certified teaching personnel, and twenty administrative employees who provide services to 2,132 students and other community members. The School District currently operates four instructional buildings, an administration building, and a bus garage.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure 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 component unit column on the financial statements identifies the financial data of the School District's component unit, River Valley Academy (RVA). It is reported separately to emphasize that it is legally separate from the School District. Information about this component unit is presented in Note 20 to the basic financial statements.

River Valley Academy - RVA is a legally separate, not-for-profit corporation. RVA, under a contractual agreement with the River Valley Local School District, provides educational opportunities through distance learning technologies. River Valley Local School District is RVA's sponsoring government and RVA's five member Board of Directors is appointed by River Valley Local School District's Board of Education. River Valley Local School District is financially accountable for RVA as it appoints RVA's Board and can also remove appointed members; therefore, it can impose its will on RVA. RVA is reported as a discretely presented component unit on River Valley Local School District's financial statements. RVA suspended operations in August 2009 on July 2, 2010, the Board of Directors voted to maintain the suspension for an undetermined period of time. Separately issued financial statements for RVA can be obtained from the Treasurer of the River Valley Local School District, 197 Brocklesby Road, Caledonia, Ohio 43314.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 1 - Description of the School District and Reporting Entity (continued)

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Tri-Rivers Educational Computer Association, the Tri-Rivers Joint Vocational School, the Northwestern Ohio Educational Research Council, Inc., the Metropolitan Educational Council, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan. These organizations are presented in Notes 21 and 22 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the School District.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial reporting is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the proprietary fund financial statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories; governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's three major funds are the General Fund, the Classroom Facilities Maintenance special revenue fund, and the Bond Retirement debt service fund.

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Maintenance Fund - The Classroom Facilities Maintenance special revenue fund accounts for proceeds from a .5 mill levy restricted for maintenance of school buildings.

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for property taxes and other resources restricted for the payment of principal and interest on general obligation bonds issued for the construction of two elementary schools, a middle school, and a high school.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, change in net assets, financial position, and cash flows. The School District reports two types of proprietary funds; enterprise and internal service.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District does not have any major enterprise funds.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's internal service fund accounts for the activities of the self insurance program for employee health care benefits.

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents held for the School District by the North Central Ohio Educational Service Center and the Ohio Mid-Eastern Regional Educational Service Agency are reflected as "Cash and Cash Equivalents with Fiscal Agent".

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

During fiscal year 2011, investments consisted of STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but 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, 2011.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2011 was \$4,428, which includes \$1,450 assigned from other School District funds.

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

G. Inventory

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unexpended revenues restricted for bus purchases.

I. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 40 years
Buildings and Building Improvements	20 - 75 years
Furniture, Fixtures, and Equipment	7 - 45 years
Vehicles	10 years

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund loans are classified as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as liabilities on the fund financial statements when due.

M. Unamortized Issuance Costs and Premiums

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are reported as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

On the governmental fund financial statements, issuance costs and premiums are recognized in the period when the debt is issued.

N. Unamortized Loss on Advance Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term portion of interfund receivables.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for school age child care and insurance premiums. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

R. Interfund Transactions

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

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

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

S. 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
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Assets

A. Change in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

B. Restatement of Fund Balance/Net Assets

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$1,621,345	\$1,454,548	\$1,456,418	\$291,895	\$4,824,206
Change in Fund Structure	68,677	0	0	(44,453)	24,224
Adjusted Fund Balance at June 30, 2010	<u>\$1,690,022</u>	<u>\$1,454,548</u>	<u>\$1,456,418</u>	<u>\$247,442</u>	<u>\$4,848,430</u>

The restatement for the implementation of GASB Statement No. 54, an incorrect classification of a fund in prior years, as well as a correction to the receivable for payment in lieu of taxes had the following effect on net assets.

	Total Governmental Activities	Total Business-Type Activities
Net Assets at June 30, 2010	\$29,380,640	\$0
Change in Fund Structure	25,307	(23,191)
Payment in Lieu of Taxes Receivable	(99,357)	0
Restated Net Assets at June 30, 2010	<u>\$29,306,590</u>	<u>(\$23,191)</u>

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2011, the CTAE, Education Jobs, Title VI-B, Fiscal Stabilization, Title II-D, Title I, and Improving Teacher Quality special revenue funds had deficit fund balances, in the amount of \$2,188, \$18,280, \$16,436, \$36,094, \$1,655, \$527, and \$1,375, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 4 - Accountability and Compliance (continued)

B. Compliance

The following funds had expenditures (including encumbrances) in excess of appropriations for the fiscal year ended June 30, 2011:

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue Funds			
Miscellaneous Grants	\$11,406	\$13,801	\$2,395
Education Jobs	17,500	22,282	4,782
Private Purpose Trust Fund	0	1,000	1,000

The Treasurer will review budgetary activity to ensure that expenditures are within appropriations.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and the Classroom Facilities Maintenance special revenue fund 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 the GAAP basis are as follows:

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 5 - Budgetary Basis of Accounting (continued)

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

Changes in Fund Balance

	General Fund	Classroom Facilities Maintenance Fund
GAAP Basis	\$697,924	(\$69,806)
<u>Increase (Decrease) Due to:</u>		
Revenue Accruals:		
Accrued FY 2010, Received in Cash FY 2011	2,188,137	36,979
Accrued FY 2011, Not Yet Received in Cash	(2,222,408)	(36,838)
Expenditure Accruals:		
Accrued FY 2010, Paid in Cash FY 2011	(1,958,903)	(14,405)
Accrued FY 2011, Not Yet Paid in Cash	1,739,033	6,551
Unrecorded Cash Activity 2010	429	0
Unrecorded Cash Activity 2011	(412)	0
Inventory Held for Resale	1,327	0
Materials and Supplies Inventory	4,552	0
Advances In	0	25,000
Advances Out	(40,000)	0
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(35,983)	(172,038)
Budget Basis	\$373,696	(\$224,557)

Note 6 - Deposits and Investments

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

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 6 - Deposits and Investments (continued)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptance if training requirements have been met.

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2011, the fair value of funds on deposit with STAR Ohio was \$3,187,240. The School District's investments in STAR Ohio have an average maturity of 58.3 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 - Receivables

Receivables at June 30, 2011, consisted of accounts (student fees and billings for user charged services), intergovernmental, interfund, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except interfund and property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$4,542
Classroom Facilities Maintenance	
Homestead and Rollback	78
Bond Retirement	
Homestead and Rollback	760
Total Major Funds	5,380
Other Governmental Funds	
CTAE	2,322
Education Jobs	347,407
Title VI-B	141,068
Fiscal Stabilization	2,479
Team Nutrition Mini Grant	10,350
Title I	59,136
Drug Free	1,289
Improving Teacher Quality	3,012
Total Other Governmental Funds	567,063
Total Intergovernmental Receivables	\$572,443

Note 8 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 8 - Property Taxes (continued)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2011, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$2,113,597 in the General Fund, \$36,838 in the Classroom Facilities Maintenance special revenue fund, and \$357,580 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2010, was \$2,076,138 in the General Fund, \$36,415 in the Classroom Facilities Maintenance special revenue fund, and \$352,615 in the Bond Retirement debt service fund.

For fiscal year 2010, the amount of the late personal property tax settlement made by the counties was \$680 in the General Fund, \$10 in the Classroom Facilities special revenue fund, and \$80 in the Bond Retirement debt service fund.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 8 - Property Taxes (continued)

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$178,888,630	69.61%	\$183,052,830	70.19%
Industrial/Commercial	69,376,370	27.00	69,180,130	26.53
Public Utility	8,700,800	3.39	8,555,190	3.28
Total Assessed Value	<u>\$256,965,800</u>	<u>100.00%</u>	<u>\$260,788,150</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.41		\$38.41	

Note 9 - Payment in Lieu of Taxes

According to State law, Marion County has entered into agreements with a number of property owners under which Marion County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to Marion County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be paid to the School District. The property owners contractually promise to make these payments in lieu of taxes until the agreement expires.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$971,089	\$0	\$0	\$971,089
Depreciable Capital Assets				
Land Improvements	978,961	0	0	978,961
Buildings and Building Improvements	39,486,724	0	0	39,486,724
Furniture, Fixtures, and Equipment	2,176,631	70,539	(72,827)	2,174,343
Vehicles	1,325,110	0	0	1,325,110
Total Depreciable Capital Assets	<u>43,967,426</u>	<u>70,539</u>	<u>(72,827)</u>	<u>43,965,138</u>

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 10 - Capital Assets (continued)

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$185,078)	(\$37,033)	\$0	(\$222,111)
Buildings and Building Improvements	(4,410,632)	(642,914)	0	(5,053,546)
Furniture, Fixtures, and Equipment	(1,021,870)	(105,940)	67,627	(1,060,183)
Vehicles	(1,095,755)	(62,465)	0	(1,158,220)
Total Accumulated Depreciation	<u>(6,713,335)</u>	<u>(848,352)</u>	<u>67,627</u>	<u>(7,494,060)</u>
Depreciable Capital Assets, Net	<u>37,254,091</u>	<u>(777,813)</u>	<u>(5,200)</u>	<u>36,471,078</u>
Governmental Activities Capital Assets, Net	<u>\$38,225,180</u>	<u>(\$777,813)</u>	<u>(\$5,200)</u>	<u>\$37,442,167</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$370,766
Special	29,067
Vocational	15,139
Support Services:	
Pupils	58
Instructional Staff	32,415
Administration	33,343
Fiscal	1,159
Operation and Maintenance of Plant	38,478
Pupil Transportation	76,965
Central	200
Non-Instructional Services	71,383
Extracurricular Activities	179,379
Total Depreciation Expense	<u><u>\$848,352</u></u>

Note 11 - Interfund Assets/Liabilities

At June 30, 2011, the General Fund had an interfund receivable, in the amount of \$17,024; \$1,655 from other governmental funds and \$15,369 from the School Age Child Care enterprise fund for loans made to those funds. Interfund receivables in the amount of \$17,024, are expected to be repaid within one year.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 11 - Interfund Assets/Liabilities (continued)

The Classroom Facilities Maintenance special revenue fund had an interfund receivable, in the amount of \$303,796, from the General Fund for the House Bill 264 Energy Project. The Board of Education approved an advance in fiscal year 2009 in the amount of \$328,796, expected to be repaid over an eight year period. For fiscal year 2011, \$25,000 was repaid with scheduled repayments of approximately \$50,000 for fiscal years 2012 through 2017.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted for the following insurance coverage.

Coverage provided by the Netherlands Indemnity Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
General Aggregate	2,000,000
Building and Contents	54,267,338
Vehicle Liability	1,000,000

Coverage provided by the Midwestern Indemnity Company is as follows:

Umbrella Liability	4,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., review each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

The School District offers medical insurance to all employees through a self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The internal service fund covers claims up to \$500,000 per individual and \$1,000,000 total aggregate annually. Settled claims have not exceeded this coverage for the past three years. Stop loss insurance covers claims in excess of these limits. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2011, was estimated by the third party administrator at \$161,729.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 12 - Risk Management (continued)

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

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2011	\$126,979	\$1,846,124	\$1,811,374	\$161,729
2010	31,970	1,438,084	1,343,075	126,979

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 13 - Defined Benefit Pension Plans (continued)

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$868,557 and \$48,075 for the fiscal year ended June 30, 2011, \$907,914 and \$54,264 for the fiscal year ended June 30, 2010, and \$918,469 for the fiscal year ended June 30, 2009. For fiscal year 2011, 84 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$1,822 made by the School District and \$1,301 made by the plan members. In addition, member contributions of \$34,339 were made for fiscal year 2011 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$264,983, \$272,144, and \$193,421, respectively. For fiscal year 2011, 41 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2011, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$70,650, \$74,075, and \$70,699, respectively. For fiscal year 2011, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, this amount was \$35,800. For fiscal year 2011, the School District paid \$43,924 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 14 - Postemployment Benefits (continued)

The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$32,085, \$9,795, and \$88,518, respectively. For fiscal year 2011, 41 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$17,052, \$16,184, and \$15,959, respectively. For fiscal year 2011, 41 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 15 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Up to ten days of unused vacation may be carried forward to the succeeding fiscal year. Teachers do not earn vacation time.

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

B. Health Care Benefits

The School District offers medical insurance to all employees through a self-insurance program. The School District offers dental, vision, and life insurance through Delta Dental Plan of Ohio, Vision Service Plan, and the Metropolitan Educational Council, respectively.

C. Separation Benefits

The School District offered a separation benefit to certified employees who retired as of July 1, 2011. Certified employees were offered a one time cash payment incentive, in addition to their regular severance benefits and STRS pension benefits. The employee had to retire as of July 1, 2011, 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 5 percent of the employee's accumulated sick leave as of June 30, 2011, 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, 2011, the liability for separation benefits was \$23,537.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2008 School Improvement Refunding Bonds					
Serial Bonds - 4%	\$8,835,000	\$0	\$50,000	\$8,785,000	\$100,000
Capital Appreciation Bonds	295,000	0	0	295,000	0
Accretion on Capital Appreciation Bonds	146,102	69,602	0	215,704	0
Premium	521,078	0	2,854	518,224	0
Accounting Loss	(388,099)	2,125	0	(385,974)	0
FY2002 School Improvement Bonds 2.2-5.25%	5,460,000	0	730,000	4,730,000	760,000
Total General Obligation Bonds	14,869,081	71,727	782,854	14,157,954	860,000
Compensated Absences Payable	904,590	38,262	170,277	772,575	61,917
Total Governmental Activities Long -Term Obligations	<u>\$15,773,671</u>	<u>\$109,989</u>	<u>\$953,131</u>	<u>\$14,930,529</u>	<u>\$921,917</u>
Business-Type Activities					
Compensated Absences Payable	\$1,083	\$773	\$0	\$1,856	\$0

FY2008 School Improvement Refunding Bonds - On October 4, 2007, the School District issued bonds, in the amount of \$9,255,000, to partially refund bonds previously issued in fiscal year 2002 for the construction of two elementary schools, a middle school, and a high school. The refunding bond issue includes serial and capital appreciation bonds, in the original amount of \$8,960,000 and \$295,000, respectively. The bonds were issued for a fifteen year period, with final maturity during fiscal year 2023. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after November 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on November 1, 2016, in the amount of \$1,115,000. For fiscal year 2011, \$69,602 was accreted on the capital appreciation bonds for a total bond value of \$510,704 at fiscal year end.

As of 6/30/11, \$9,255,000 of the refunded bonds was still outstanding.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 16 - Long-Term Obligations (continued)

FY2002 School Improvement Bonds - On October 21, 2001, the School District issued bonds, in the amount of \$19,600,000, for the construction of two elementary schools, including multipurpose rooms for school and community use; construction of a new middle school and high school and equipping them for technology for classroom instruction; and landscaping. The bonds have an interest rate ranging from 2.2 percent to 5.25 percent. The bonds were issued for a twenty-two year period, with final maturity in fiscal year 2024. During fiscal year 2008, a portion of the serial bonds, in the amount of \$9,255,000, was refunded. The bonds are being retired through the Bond Retirement debt service fund.

Compensated absences will be paid from the General Fund, the Food Service special revenue fund, and the SACC enterprise fund.

The School District's overall debt margin was \$10,226,191 with an unvoted debt margin of \$252,537 at June 30, 2011.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011, were as follows:

Fiscal Year Ending	General Obligation Bonds			Total
	Serial	Capital Appreciation	Interest	
2012	\$860,000	\$0	\$557,368	\$1,417,368
2013	895,000	0	522,268	1,417,268
2014	935,000	0	478,884	1,413,884
2015	1,010,000	0	432,094	1,442,094
2016	1,100,000	0	388,788	1,488,788
2017-2021	4,625,000	295,000	2,294,240	7,214,240
2022-2024	4,090,000	0	297,470	4,387,470
	\$13,515,000	\$295,000	\$4,971,112	\$18,781,112

Note 17 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:					
Interfund Receivable	\$0	\$303,796	\$0	\$0	\$303,796
Inventory Held for Resale Materials and Supplies	2,145	0	0	13,901	16,046
Inventory	48,556	0	0	2,655	51,211
Total Nonspendable	50,701	303,796	0	16,556	371,053

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 17 - Fund Balance (continued)

Fund Balance	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for:					
Athletics and Music	\$0	\$0	\$0	\$60,600	\$60,600
Bus Purchase	33,907	0	0	0	33,907
Debt Retirement	0	0	1,307,865	0	1,307,865
Food Service Operations	0	0	0	215,623	215,623
Permanent Improvements	0	0	0	48,498	48,498
Regular Instruction	1,933	0	0	10,858	12,791
School Facilities					
Maintenance	0	1,080,946	0	0	1,080,946
Special Instruction	0	0	0	283	283
Vocational Instruction	0	0	0	550	550
Total Restricted	<u>35,840</u>	<u>1,080,946</u>	<u>1,307,865</u>	<u>336,412</u>	<u>2,761,063</u>
Assigned for:					
Educational Activities	34,222	0	0	0	34,222
Unpaid Obligations	19,061	0	0	0	19,061
Total Assigned	<u>53,283</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>53,283</u>
Unassigned (Deficit):	<u>2,248,122</u>	<u>0</u>	<u>0</u>	<u>(76,555)</u>	<u>2,171,567</u>
Total Fund Balance	<u>\$2,387,946</u>	<u>\$1,384,742</u>	<u>\$1,307,865</u>	<u>\$276,413</u>	<u>\$5,356,966</u>

Note 18 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the 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 fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2010	(\$117,568)	\$0
Current Year Set Aside Requirement	315,531	315,531
Qualifying Expenditures	(281,438)	0
Current Year Offsets	0	(315,531)
Set Aside Reserve Balance June 30, 2011	<u>(\$83,475)</u>	<u>\$0</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$0</u>	<u>\$0</u>

The School District had carryover amounts and qualifying expenditures during the fiscal year that reduced the textbook set aside amounts below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not presented as being carried forward to the future fiscal year.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 19 - Interfund Transfers

During fiscal year 2011, the General Fund made transfers to other governmental funds, in the amount of \$84,624, to subsidize operations in other funds.

Note 20 - River Valley Academy

A. Basis of Presentation

River Valley Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. River Valley Academy uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

B. Deposits

At year end, the carrying amount of River Valley Academy's deposits was \$81,732 and the bank balance was \$81,732. The entire bank balance was covered by federal depository insurance.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Depreciable Capital Assets				
Equipment	\$143,035	\$0	\$0	\$143,035
Less Accumulated Depreciation	(85,188)	(9,285)	0	(94,473)
Capital Assets, Net	<u>\$57,847</u>	<u>(\$9,285)</u>	<u>\$0</u>	<u>\$48,562</u>

Note 21 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2011, the School District paid \$56,404 to TRECA for various services. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 100 Executive Drive, Marion, Ohio 43302.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 21 - Jointly Governed Organizations (continued)

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

D. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred forty-two school districts, libraries, and related agencies in twenty-seven counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, 2100 Citygate Drive, Columbus, Ohio 43219.

Note 22 - Insurance Pools

A. Ohio Association of School Business Officials 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 Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 22 - Insurance Pools (continued)

B. Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool comprised of seventy-five members, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible limit and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plans participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which is utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. Contributions in excess of these amounts, along with the proportionate share of interest earned on these contributions, will be returned to the School District.

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, 2011.

B. Litigation

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

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**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<u>U.S DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 79,365	\$ 79,365
Cash Assistance:			
School Breakfast Program	10.553	71,458	71,458
National School Lunch Program	10.555	276,427	276,427
Cash Assistance Subtotal:		<u>347,885</u>	<u>347,885</u>
Total Child Nutrition Cluster		<u>427,250</u>	<u>427,250</u>
Team Nutrition Grants	10.574	1,150	-
Total U.S. Department of Agriculture		<u>428,400</u>	<u>427,250</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education</i>			
Special Education Cluster			
Special Education Grants to States	84.027	316,446	291,263
ARRA-Special Education Grants to States, Recovery Act	84.391	226,104	243,551
Total Special Education Cluster		<u>542,550</u>	<u>534,814</u>
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	311,230	286,727
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	91,819	87,275
Total Title I Cluster		<u>403,049</u>	<u>374,002</u>
Educational Technology State Grants	84.318	84	1,936
Education Jobs Funds	84.410	22,665	22,281
Improving Teacher Quality State Grants	84.367	73,626	69,901
Safe and Drug-Free Schools and Communities State Grants	84.186	2,815	1,050
ARRA-State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act	84.394	416,762	484,344
<i>Passed Through the North Central Ohio Educational Service Center</i>			
English Language Acquisition Grants	84.365	2,612	1,052
Total U.S. Department of Education		<u>1,464,163</u>	<u>1,489,380</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 1,892,563</u>	<u>\$ 1,916,630</u>

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports River Valley Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of River Valley Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the District reclassified the School Age Child Care fund from the Special Revenue to Enterprise fund type. Additionally, we qualified our opinion on the business-type activities charges for services receipts because we were unable to determine the completeness of those receipts. Except as noted in the previous sentence, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 10, 2012.

We intend this report solely for the information and use of management, the finance committee, the Board of Education, federal awarding agencies, pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

February 10, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

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 could directly and materially affect each of River Valley Local School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, River Valley Local School District, Marion County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted certain matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 10, 2012.

We intend this report solely for the information and use of the finance committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 10, 2012

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act – CFDA #84.394 Title I Cluster - CFDA #84.010 and 84.389 Special Education Cluster - CFDA #84.027, 84.391, 84.173. and 84.392
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

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

Finding Number	2011-001
-----------------------	-----------------

Material Weakness – School Age Child Care (SACC) Program Supporting Documentation

The District operates a School Age Child Care (SACC) program to provide child care before and after school hours as well as during the summer months. For fiscal year 2011, the District could not provide documentation to support SACC receipts totaling \$122,837. The SACC Coordinator indicated that she maintained attendance sheets and manual records which tracked amounts owed during fiscal year 2011; however, she could only provide attendance sheets for May 2011 and she has since disposed of all other records. Furthermore, SACC receipts were only deposited on a weekly basis.

Failure to maintain supporting documentation for daily child care receipts limits the ability of the District's Board and management to ensure the completeness and accuracy of such receipts. Lack of supporting documentation over SACC program receipts also increases the likelihood of undetected fraud, illegal activity, or misuse of the District's assets. Additionally, in the absence of such underlying supporting documentation, the audit opinion was qualified because sufficient assurance could not be obtained over the completeness of reported fiscal year 2011 SACC receipts (charges for services) within Business-Type Activities and we were not able to satisfy ourselves as to the completeness of those receipts by other auditing procedures.

We recommend the SACC Coordinator maintain appropriate supporting documentation for the SACC program receipts. The following internal control procedures should be implemented in order to reduce the risk of irregularities and allow for proper monitoring of SACC receipts:

- The SACC Coordinator should utilize pre-numbered duplicate receipts books. Receipts should be issued in sequential order throughout the year for each school and no receipts should be removed from the receipt books. In addition, each receipt should indicate whether cash or a check was collected.
- The SACC Coordinator should maintain a receipt ledger to track charges, payments, and outstanding balances for each student. This receipt ledger should be reconciled periodically with daily attendance records and duplicate receipts issued.
- All monies received by the SACC program should be deposited daily. Each daily deposit of checks and cash should be reconciled to the duplicate receipts for that day by someone independent of the collection process.
- The SACC Coordinator should monitor monthly financial reports from the Treasurer and ensure receipts posted to the District's accounting records reconcile with the SACC program records.

Additionally, all supporting documentation related to the SACC program receipts should be maintained in accordance with an approved records retention schedule and until such documentation has been subject to external audit.

Officials' Response:

The River Valley Local School District has implemented additional internal control procedures to address the auditor's recommendations.

3. FINDINGS FOR FEDERAL AWARDS

None

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Material Noncompliance – Expenditures Exceeding Appropriations	Yes	

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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 8, 2012**