



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, the 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, 2012, 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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the respective 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2013, 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 19, 2013

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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, 2012. 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 2012 are as follows:

In total, net assets decreased \$335,097, or 1 percent, and not a significant change from the prior fiscal year.

General revenues were \$13,105,038, 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.

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.

Through reductions in force and retirement of employees over the past four years, expenditures for personnel in the General Fund have decreased over 8 percent (in fiscal year 2011, the number of employees paid out of the General Fund was reduced by eleven individuals). Even with these reductions, the School District's current five-year forecast reflects expenses in excess of revenues for fiscal years 2013 through 2017; however, a positive year end fund balance is maintained through fiscal year 2015. The forecast assumes that a 2.91 mill emergency levy will be renewed as scheduled. Fiscal years 2016 and 2017 reflect deficit fund balances.

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 for fiscal year 2012 and UMR assuming this role on July 1, 2012. The Employee Benefits Fund had an operating loss in fiscal year 2012 as a result of the School District and employees paying less into the fund when two premium moratoriums were taken. The ability to take a moratorium is based on the fund balance of the fund together with the actuarially required balance as outlined in Ohio Revised Code Section 9.833. Premium moratoriums require the approval of OME-RESA. The committee continues to look at options to provide adequate health care at an affordable cost to everyone and are especially cognizant of the overhaul of the federal healthcare system and the results on the policy and cost to the School District coming in 2014.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Using the Basic Financial Statements

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

The statement of net 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 2012. 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, 2012
UNAUDITED
(Continued)**

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 the self-insured medical insurance and drug program.

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 and fiscal year 2011:

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
<u>Assets</u>						
Current and Other Assets	\$12,670,013	\$13,448,347	\$29,274	\$5,119	\$12,699,287	\$13,453,466
Capital Assets, Net	36,981,926	37,442,167	0	0	36,981,926	37,442,167
Total Assets	49,651,939	50,890,514	29,274	5,119	49,681,213	50,895,633
<u>Liabilities</u>						
Current and Other Liabilities	5,678,256	6,072,403	28,785	26,067	5,707,041	6,098,470
Long-Term Liabilities	14,441,706	14,930,529	2,785	1,856	14,444,491	14,932,385
Total Liabilities	20,119,962	21,002,932	31,570	27,923	20,151,532	21,030,855
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	23,728,546	23,632,168	0	0	23,728,546	23,632,168
Restricted	2,895,622	3,566,651	0	0	2,895,622	3,566,651
Unrestricted (Deficit)	2,907,809	2,688,763	(2,296)	(22,804)	2,905,513	2,665,959
Total Net Assets (Deficit)	29,531,977	\$29,887,582	(2,296)	(\$22,804)	29,521,681	\$29,864,778

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

For governmental activities, the overall change in net assets was not significant, 1 percent. However, there were a few changes worth noting. The decrease in current and other assets was largely due to a decrease in cash and cash equivalents being held by the School District's third-party insurance administrator as a result of the premium moratorium and a decrease in intergovernmental receivables due to fewer grant resources outstanding as of fiscal year end. The decrease in current and other liabilities reflects a decrease in the liability for accrued wages and benefits as certain benefits related costs were paid prior to fiscal year end and other modest reductions in outstanding liabilities.

Although the business-type activity continues to reflect deficit net assets, there was improvement in the balance due to repaying the General Fund for resources borrowed from the fund.

Table 2 reflects the change in net assets for fiscal year 2012 and 2011.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$3,918,695	\$3,756,465	\$143,347	\$122,837	\$4,062,042	\$3,879,302
Operating Grants, Contributions, and Interest	1,815,175	2,213,911	0	0	1,815,175	2,213,911
Total Program Revenues	<u>5,733,870</u>	<u>5,970,376</u>	<u>143,347</u>	<u>122,837</u>	<u>5,877,217</u>	<u>6,093,213</u>
General Revenues						
Property Taxes Levied for General Purposes	5,488,340	5,495,815	0	0	5,488,340	5,495,815
Property Taxes Levied for Classroom Facilities Purposes	95,819	95,770	0	0	95,819	95,770
Property Taxes Levied for Debt Service Purposes	1,044,362	930,587	0	0	1,044,362	930,587
Payment in Lieu of Taxes	232,376	212,794	0	0	232,376	212,794
Grants and Entitlements	6,044,736	6,793,394	0	0	6,044,736	6,793,394
Interest	21,312	29,651	0	0	21,312	29,651
Gifts and Donations	10,305	15,097	0	0	10,305	15,097
Miscellaneous	167,788	198,811	0	3,341	167,788	202,152
Total General Revenues	<u>13,105,038</u>	<u>13,771,919</u>	<u>0</u>	<u>3,341</u>	<u>13,105,038</u>	<u>13,775,260</u>
Total Revenues	<u>18,838,908</u>	<u>19,742,295</u>	<u>143,347</u>	<u>126,178</u>	<u>18,982,255</u>	<u>19,868,473</u>

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
<u>Expenses</u>						
Instruction:						
Regular	\$8,998,968	\$9,561,378	\$0	\$0	\$8,998,968	\$9,561,378
Special	1,711,539	1,538,042	0	0	1,711,539	1,538,042
Vocational	283,217	187,186	0	0	283,217	187,186
Support Services:						
Pupils	434,192	372,441	0	0	434,192	372,441
Instructional Staff	985,333	854,127	0	0	985,333	854,127
Board of Education	17,974	15,172	0	0	17,974	15,172
Administration	1,572,641	1,558,175	0	0	1,572,641	1,558,175
Fiscal	443,267	431,608	0	0	443,267	431,608
Business	52,255	53,453	0	0	52,255	53,453
Operation and Maintenance of Plant	1,413,711	1,307,486	0	0	1,413,711	1,307,486
Pupil Transportation	1,138,404	1,135,232	0	0	1,138,404	1,135,232
Central	83,543	66,421	0	0	83,543	66,421
Non-Instructional Services	848,091	840,183	0	0	848,091	840,183
Extracurricular Activities	579,157	586,437	0	0	579,157	586,437
Interest and Fiscal Charges	632,221	653,962	0	0	632,221	653,962
School Aged Child Care	0	0	122,839	125,791	122,839	125,791
Total Expenses	<u>19,194,513</u>	<u>19,161,303</u>	<u>122,839</u>	<u>125,791</u>	<u>19,317,352</u>	<u>19,287,094</u>
Increase (Decrease) in Net Assets	(355,605)	580,992	20,508	387	(335,907)	581,379
Net Assets (Deficit) at						
Beginning of Year	<u>29,887,582</u>	<u>29,306,590</u>	<u>(22,804)</u>	<u>(23,191)</u>	<u>29,864,778</u>	<u>29,283,399</u>
Net Assets (Deficit) at End of Year	<u>29,531,977</u>	<u>\$29,887,582</u>	<u>(\$2,296)</u>	<u>(\$22,804)</u>	<u>\$29,529,681</u>	<u>\$29,864,778</u>

For governmental activities, program revenues represented approximately 30 percent of total revenues (no change from fiscal year 2011) are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues. However, there was a decrease in program revenues from the prior year, primarily reflected in operating grants and contributions due to receiving the final ARRA funding in fiscal year 2011.

The decrease in general revenues for governmental activities was primarily due to State Fiscal Stabilization resources ending in fiscal year 2011.

Expenses for governmental activities remained very similar to the prior fiscal year. The major program expense for governmental activities, as expected, is for instruction, which accounts 57 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, revenues increased due, in part, to a rate increase in fiscal year 2012. Expenses decreased slightly; payroll expenses were reviewed to obtain more efficiencies in labor costs.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

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	
	2012	2011	2012	2011
Instruction:				
Regular	\$8,998,968	\$9,561,378	\$6,224,287	\$6,406,636
Special	1,711,539	1,538,042	104,612	(373)
Vocational	283,217	187,186	206,215	110,076
Support Services:				
Pupils	434,192	372,441	434,192	372,441
Instructional Staff	985,333	854,127	985,333	854,127
Board of Education	17,974	15,172	17,974	15,172
Administration	1,572,641	1,558,175	1,572,641	1,558,175
Fiscal	443,267	431,608	431,267	431,608
Business	52,255	53,453	52,255	53,453
Operation and Maintenance of Plant	1,413,711	1,307,486	1,413,711	1,307,486
Pupil Transportation	1,138,404	1,135,232	1,124,245	1,129,798
Central	83,543	66,421	76,343	52,321
Non-Instructional Services	848,091	840,183	(21,126)	(31,153)
Extracurricular Activities	579,157	586,437	206,473	277,198
Interest and Fiscal Charges	632,221	653,962	632,221	653,962
Total Expenses	<u>\$19,194,513</u>	<u>\$19,161,303</u>	<u>13,460,643</u>	<u>\$13,190,927</u>

Program revenues provided for 30 percent of the costs of services during fiscal year 2012, a decrease of 1 percent from the prior year. Only a few of the School District's programs receive a significant amount of program revenues to offset their costs. Again in fiscal year 2012, one of these programs was special instruction; 94 percent of program costs were provided for through program revenues, much of this in the form of operating grants restricted for special instruction purposes. For 2012, program revenues 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, 64 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.

Governmental Funds Financial Analysis

The School District's governmental funds are accounted for using the modified accrual basis of accounting. For the General Fund, there was a 23 percent increase in fund balance from fiscal year 2011. Although revenues decreased slightly and expenditures increased slightly, revenues remained in excess of expenditures. The School District did not deficit spend in fiscal year 2012 allowing for an increase in our carryover fund balance as a part of the planning strategy to overcome future deficit years.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

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 2012, this activity had an operating income; however, continued to have a net deficit 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 2012, 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 2012, the School District had \$36,981,926 invested in capital assets (net of accumulated depreciation). The School District replaced five buses in fiscal year 2012. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2012, included School Improvement general obligation bonds, in the amount of \$13,377,084. The School District's long-term obligations also include compensated absences and capital leases. For further information regarding the School District's long-term obligations, refer to Note 15 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 2015.

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 2013. Several employees previously paid with these grants are now being paid out of 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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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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 ended in June 2012 and the River Valley Board of Education will make a decision in early 2013 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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activity	Total	River Valley Academy
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,575,059	\$ 18,989	\$ 4,594,048	\$ 79,084
Cash and Cash Equivalents with Fiscal Agent	662,603	-	662,603	-
Accounts Receivable	44,900	10,285	55,185	-
Intergovernmental Receivable	294,613	-	294,613	-
Inventory Held for Resale	6,806	-	6,806	-
Materials and Supplies Inventory	33,473	-	33,473	-
Property Taxes Receivable	6,697,833	-	6,697,833	-
Payment in Lieu of Taxes Receivable	223,931	-	223,931	-
Unamortized Issuance Cost	130,795	-	130,795	-
Nondepreciable Capital Assets	971,089	-	971,089	-
Depreciable Capital Assets, Net	36,010,837	-	36,010,837	39,277
Total Assets	49,651,939	29,274	49,681,213	118,361
<u>Liabilities:</u>				
Accounts Payable	150,374	857	151,231	-
Accrued Wages and Benefits Payable	1,161,672	8,756	1,170,428	-
Matured Compensated Absences Payable	12,895	-	12,895	-
Intergovernmental Payable	428,407	15,879	444,286	-
Deferred Revenue	3,704,112	3,293	3,707,405	-
Accrued Interest Payable	90,028	-	90,028	-
Claims Payable	130,768	-	130,768	-
Long-Term Liabilities:				
Due Within One Year	1,046,237	619	1,046,856	-
Due in More Than One Year	13,395,469	2,166	13,397,635	-
Total Liabilities	20,119,962	31,570	20,151,532	-
<u>Net Assets:</u>				
Invested in Capital Assets, Net of Related Debt	23,728,546	-	23,728,546	39,277
Restricted For:				
Debt Service	1,205,447	-	1,205,447	-
Capital Projects	24,717	-	24,717	-
Classroom Facilities Maintenance	1,147,634	-	1,147,634	-
Food Service	307,638	-	307,638	-
Other Purposes	210,186	-	210,186	-
Unrestricted (Deficit)	2,907,809	(2,296)	2,905,513	79,084
Total Net Assets (Deficit)	\$ 29,531,977	\$ (2,296)	\$ 29,529,681	\$ 118,361

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, 2012

	Program Revenues		
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>			
Instruction:			
Regular	\$ 8,998,968	\$ 2,753,576	\$ 21,105
Special	1,711,539	410,310	1,196,617
Vocational	283,217	-	77,002
Support Services:			
Pupils	434,192	-	-
Instructional Staff	985,333	-	-
Board of Education	17,974	-	-
Administration	1,572,641	-	-
Fiscal	443,267	12,000	-
Business	52,255	-	-
Operation and Maintenance of Plant	1,413,711	-	-
Pupil Transportation	1,138,404	-	14,159
Central	83,543	-	7,200
Non-Instructional Services	848,091	438,366	430,851
Extracurricular Activities	579,157	304,443	68,241
Interest and Fiscal Charges	632,221	-	-
Total Governmental Activities	19,194,513	3,918,695	1,815,175
<u>Business-Type Activity</u>			
School Age Child Care	122,839	143,347	-
Total Primary Government	\$ 19,317,352	\$ 4,062,042	\$ 1,815,175
<u>Component Unit</u>			
River Valley Academy	\$ 11,933	\$ -	\$ -

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
Net Assets (Deficit) at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activity	Total	River Valley Academy	
\$ (6,224,287)	\$ -	\$ (6,224,287)	\$ -	-
(104,612)	-	(104,612)	-	-
(206,215)	-	(206,215)	-	-
(434,192)	-	(434,192)	-	-
(985,333)	-	(985,333)	-	-
(17,974)	-	(17,974)	-	-
(1,572,641)	-	(1,572,641)	-	-
(431,267)	-	(431,267)	-	-
(52,255)	-	(52,255)	-	-
(1,413,711)	-	(1,413,711)	-	-
(1,124,245)	-	(1,124,245)	-	-
(76,343)	-	(76,343)	-	-
21,126	-	21,126	-	-
(206,473)	-	(206,473)	-	-
(632,221)	-	(632,221)	-	-
(13,460,643)	-	(13,460,643)	-	-
-	20,508	20,508	-	-
(13,460,643)	20,508	(13,440,135)	-	-
-	-	-	(11,933)	-
5,488,340	-	5,488,340	-	-
95,819	-	95,819	-	-
1,044,362	-	1,044,362	-	-
232,376	-	232,376	-	-
6,044,736	-	6,044,736	-	-
21,312	-	21,312	-	-
10,305	-	10,305	-	-
167,788	-	167,788	-	-
13,105,038	-	13,105,038	-	-
(355,605)	20,508	(335,097)	(11,933)	-
29,887,582	(22,804)	29,864,778	130,294	-
\$ 29,531,977	\$ (2,296)	\$ 29,529,681	\$ 118,361	-

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,437,074	\$ 823,915	\$ 805,959	\$ 508,111	\$ 4,575,059
Cash and Cash Equivalents with Fiscal Agent	-	-	-	111	111
Accounts Receivable	22,471	-	-	22,429	44,900
Intergovernmental Receivable	26,472	-	-	268,141	294,613
Interfund Receivable	55,631	303,796	-	-	359,427
Inventory Held for Resale	1,502	-	-	5,304	6,806
Materials and Supplies Inventory	32,002	-	-	1,471	33,473
Property Taxes Receivable	5,634,314	98,995	964,524	-	6,697,833
Payment in Lieu of Taxes Receivable	223,931	-	-	-	223,931
Total Assets	\$ 8,433,397	\$ 1,226,706	\$ 1,770,483	\$ 805,567	\$ 12,236,153
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 111,170	\$ 25,090	\$ -	\$ 14,114	\$ 150,374
Accrued Wages and Benefits Payable	1,022,563	-	-	139,109	1,161,672
Matured Compensated Absences Payable	12,895	-	-	-	12,895
Intergovernmental Payable	376,022	-	-	52,385	428,407
Interfund Payable	303,796	-	-	55,631	359,427
Deferred Revenue	3,672,075	62,407	566,849	122,648	4,423,979
Total Liabilities	5,498,521	87,497	566,849	383,887	6,536,754
<u>Fund Balances:</u>					
Nonspendable	32,002	278,796	-	1,471	312,269
Restricted	3,435	860,413	1,203,634	467,588	2,535,070
Assigned	86,540	-	-	-	86,540
Unassigned (Deficit)	2,812,899	-	-	(47,379)	2,765,520
Total Fund Balances	2,934,876	1,139,209	1,203,634	421,680	5,699,399
Total Liabilities and Fund Balances	\$ 8,433,397	\$ 1,226,706	\$ 1,770,483	\$ 805,567	\$ 12,236,153

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, 2012**

Total Governmental Fund Balances		\$ 5,699,399
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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.		36,981,926
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	39,446		
Intergovernmental Receivable	100,946		
Property Taxes Receivable	579,475		719,867

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		130,795
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(90,028)		
School Improvement Bonds Payable	(13,377,084)		
Compensated Absences Payable	(761,242)		
Capital Leases Payable	(303,380)		(14,531,734)

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.		531,724
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Net Assets of Governmental Activities		<u>\$ 29,531,977</u>
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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, 2012**

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental	Total Governmental Funds
Revenues:					
Property Taxes	\$ 5,474,916	\$ 95,563	\$ 1,032,327	\$ -	\$ 6,602,806
Payment in Lieu of Taxes	232,376	-	-	-	232,376
Intergovernmental	6,226,232	28,480	307,149	1,693,586	8,255,447
Interest	3,187	-	-	67	3,254
Tuition and Fees	3,137,092	-	-	-	3,137,092
Extracurricular Activities	-	-	-	334,749	334,749
Charges for Services	-	-	-	438,366	438,366
Gifts and Donations	10,305	-	-	1,251	11,556
Miscellaneous	186,738	-	-	28,307	215,045
Total Revenues	15,270,846	124,043	1,339,476	2,496,326	19,230,691
Expenditures:					
Current:					
Instruction:					
Regular	7,867,236	-	-	310,787	8,178,023
Special	1,199,494	-	-	466,131	1,665,625
Vocational	256,525	-	-	4,374	260,899
Support Services:					
Pupils	416,689	-	-	6,565	423,254
Instructional Staff	625,008	-	-	295,441	920,449
Board of Education	17,974	-	-	-	17,974
Administration	1,344,648	-	-	104,626	1,449,274
Fiscal	418,521	2,540	26,338	1,020	448,419
Business	52,255	-	-	-	52,255
Operation and Maintenance of Plant	1,316,950	3,209	-	24,186	1,344,345
Pupil Transportation	1,370,662	-	-	16,184	1,386,846
Central	81,908	-	-	-	81,908
Non-Instructional Services	-	-	-	763,377	763,377
Extracurricular Activities	14,426	-	-	384,885	399,311
Capital Outlay	-	363,827	-	18,483	382,310
Debt Service:					
Principal Retirement	85,395	-	860,000	-	945,395
Interest and Fiscal Charges	-	-	557,369	-	557,369
Total Expenditures	15,067,691	369,576	1,443,707	2,396,059	19,277,033
Excess of Revenues Over (Under) Expenditures	203,155	(245,533)	(104,231)	100,267	(46,342)
Other Financing Sources (Uses):					
Inception of Capital Lease	388,775	-	-	-	388,775
Transfers In	-	-	-	45,000	45,000
Transfers Out	(45,000)	-	-	-	(45,000)
Total Other Financing Sources (Uses)	343,775	-	-	45,000	388,775
Changes in Fund Balances	546,930	(245,533)	(104,231)	145,267	342,433
Fund Balances at Beginning of Year	2,387,946	1,384,742	1,307,865	276,413	5,356,966
Fund Balances at End of Year	\$ 2,934,876	\$ 1,139,209	\$ 1,203,634	\$ 421,680	\$ 5,699,399

See Accompanying Notes to the Basic Financial Statements

**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, 2012**

Changes in Fund Balances - Total Governmental Funds \$ 342,433

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current fiscal year:

Capital Outlay - Depreciable Capital Assets	408,307	
Depreciation	<u>(868,174)</u>	(459,867)

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. (374)

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

Property Taxes	25,715	
Intergovernmental	(470,237)	
Tuition and Fees	13,174	
Extracurricular Activities	21,491	
Miscellaneous	<u>(51)</u>	(409,908)

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

School Improvement Bonds	860,000	
Capital Leases	<u>85,395</u>	945,395

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net assets (388,775)

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 activities. Accounting losses are amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	5,734	
Annual Accretion on Capital Appreciation Bonds	(80,585)	
Amortization of Premium	5,707	
Amortization of Accounting Loss	<u>(4,252)</u>	(73,396)

(continued)

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, 2012
(Continued)**

<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>		(1,456)
<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	11,333	
Special Termination Benefits Payable	23,537	34,870
<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	18,125	
Allocated to Activities	(362,652)	(344,527)
Change in Net Assets of Governmental Activities		\$ (355,605)

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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$ 5,337,505	\$ 5,498,358	\$ 5,490,885	\$ (7,473)
Payment in Lieu of Taxes	211,000	225,949	225,949	-
Intergovernmental	6,602,507	6,235,342	6,226,232	(9,110)
Interest	4,500	4,500	3,214	(1,286)
Tuition and Fees	2,975,671	3,118,715	3,133,375	14,660
Gifts and Donations	1,300	10,000	10,305	305
Miscellaneous	191,000	159,428	165,795	6,367
Total Revenues	<u>15,323,483</u>	<u>15,252,292</u>	<u>15,255,755</u>	<u>3,463</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,242,366	8,235,031	8,049,689	185,342
Special	1,137,266	1,250,492	1,189,884	60,608
Vocational	203,698	261,556	251,104	10,452
Support Services:				
Pupils	328,800	432,100	408,595	23,505
Instructional Staff	625,263	656,538	640,580	15,958
Board of Education	21,241	18,284	18,166	118
Administration	1,538,470	1,533,363	1,419,453	113,910
Fiscal	439,407	419,240	410,620	8,620
Business	64,704	55,505	51,416	4,089
Operation and Maintenance of Plant	1,319,528	1,311,337	1,252,145	59,192
Pupil Transportation	1,083,315	1,155,290	1,122,158	33,132
Central	85,407	84,249	82,280	1,969
Extracurricular Activities	6,254	14,710	14,018	692
Total Expenditures	<u>15,095,719</u>	<u>15,427,695</u>	<u>14,910,108</u>	<u>517,587</u>
Excess of Revenues Over (Under) Expenditures	<u>227,764</u>	<u>(175,403)</u>	<u>345,647</u>	<u>521,050</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	-	3,000	2,788	(212)
Refund of Prior Year Receipts	(25,000)	(48,551)	(48,551)	-
Advances In	15,000	15,000	15,000	-
Transfers Out	(45,000)	(45,000)	(45,000)	-
Total Other Financing Sources (Uses)	<u>(55,000)</u>	<u>(75,551)</u>	<u>(75,763)</u>	<u>(212)</u>
Changes in Fund Balance	172,764	(250,954)	269,884	520,838
Fund Balance at Beginning of Year	2,106,271	2,106,271	2,106,271	-
Prior Year Encumbrances Appropriated	35,983	35,983	35,983	-
Fund Balance at End of Year	<u>\$ 2,315,018</u>	<u>\$ 1,891,300</u>	<u>\$ 2,412,138</u>	<u>\$ 520,838</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$ 104,810	\$ 95,980	\$ 95,813	\$ (167)
Intergovernmental	25,190	28,563	28,480	(83)
Total Revenues	<u>130,000</u>	<u>124,543</u>	<u>124,293</u>	<u>(250)</u>
<u>Expenditures:</u>				
Current:				
Support Services:				
Fiscal	2,500	2,500	2,540	(40)
Operation and Maintenance of Plant	-	1,695	1,695	-
Capital Outlay	<u>307,038</u>	<u>347,843</u>	<u>347,397</u>	<u>446</u>
Total Expenditures	<u>309,538</u>	<u>352,038</u>	<u>351,632</u>	<u>406</u>
Changes in Fund Balance	(179,538)	(227,495)	(227,339)	156
Fund Balance at Beginning of Year	878,621	878,621	878,621	-
Prior Year Encumbrances Appropriated	172,038	172,038	172,038	-
Fund Balance at End of Year	<u>\$ 871,121</u>	<u>\$ 823,164</u>	<u>\$ 823,320</u>	<u>\$ 156</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, 2012**

	<u>Business-Type Activity</u>	<u>Governmental Activity</u>
	<u>School Age Child Care</u>	<u>Internal Service</u>
<u>Current Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 18,989	\$ -
Cash and Cash Equivalents with Fiscal Agent	-	662,492
Accounts Receivable	<u>10,285</u>	<u>-</u>
 Total Assets	 <u>29,274</u>	 <u>662,492</u>
 <u>Current Liabilities:</u>		
Accounts Payable	857	-
Accrued Wages and Benefits Payable	8,756	-
Intergovernmental Payable	15,879	-
Deferred Revenue	3,293	-
Claims Payable	-	130,768
Compensated Absences Payable	<u>619</u>	<u>-</u>
 Total Current Liabilities	 29,404	 130,768
 <u>Non-Current Liabilities:</u>		
Compensated Absences Payable	<u>2,166</u>	<u>-</u>
 Total Liabilities	 <u>31,570</u>	 <u>130,768</u>
 <u>Net Assets:</u>		
Unrestricted (Deficit)	<u>\$ (2,296)</u>	<u>\$ 531,724</u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Business-Type Activity	Governmental Activity
	School Age Child Care	Internal Service
<u>Operating Revenues:</u>		
Charges for Services	\$ 143,347	\$ 1,989,874
<u>Operating Expenses:</u>		
Salaries	89,629	-
Fringe Benefits	17,618	-
Purchased Services	6,565	619,875
Materials and Supplies	9,027	-
Claims	-	1,732,651
	122,839	2,352,526
Total Operating Expenses		
Operating Income (Loss)	20,508	(362,652)
Interest Revenue	-	18,125
Changes in Net Assets	20,508	(344,527)
Net Assets (Deficit) at Beginning of Year	(22,804)	876,251
Net Assets (Deficit) at End of Year	\$ (2,296)	\$ 531,724

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, 2012**

	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	\$ 136,355	\$ -
Cash Received from Transactions with Other Funds	-	1,989,874
Cash Payments for Salaries	(88,637)	-
Cash Payments for Fringe Benefits	(18,134)	-
Cash Payments for Goods and Services	(16,083)	(619,875)
Cash Payments for Claims	-	(1,763,612)
	13,501	(393,613)
<u>Net Cash Provided by (Used for) Operating Activities</u>		
<u>Cash Flows from Noncapital Financing Activities</u>		
Advances Out	(15,000)	-
<u>Cash Flows from Investing Activities:</u>		
Cash Received from Interest	-	18,125
	(1,499)	(375,488)
<u>Net Decrease in Cash and Cash Equivalents</u>		
Cash and Cash Equivalents at Beginning of Year	20,488	1,037,980
Cash and Cash Equivalents at End of Year	\$ 18,989	\$ 662,492
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss)	\$ 20,508	\$ (362,652)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>		
Increase in Accounts Receivable	(10,285)	-
Decrease in Accounts Payable	(122)	-
Increase in Accrued Wages Payable	63	-
Decrease in Due to Other Governments	(516)	-
Increase in Deferred Revenue	3,293	-
Increase in Compensated Absences Payable	929	-
Decrease in Interfund Payable	(369)	-
Decrease in Claims Payable	-	(30,961)
	13,501	(393,613)
<u>Net Cash Provided by (Used for) Operating Activities</u>		
	\$ 13,501	\$ (393,613)

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 1,250	\$ 132,234
<u>Liabilities:</u>		
Due to Students	-	129,590
Undistributed Assets	-	2,644
Total Liabilities	-	\$ 132,234
<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, 2012

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

See Accompanying Notes to the Basic Financial Statements

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**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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-seven classified employees, one hundred eleven certified teaching personnel, and thirteen administrative employees who provide services to 2,090 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. 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. RVA suspended operations in August 2009 and on July 2, 2010, the Board of Directors voted to maintain the suspension for an undetermined period of time.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 Schools Council 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 activity or to its enterprise fund. 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, 2012
(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, 2012
(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 changes 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, 2012
(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, 2012, but which were levied to finance fiscal year 2013 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, 2012
(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, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

During fiscal year 2012, 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 net asset value per share, which is the price the investment could be sold for on June 30, 2012.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2012 was \$3,187, which includes \$1,282 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. 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

I. 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".

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

J. 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.

K. 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 and capital leases are recognized as liabilities on the fund financial statements when due.

L. 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.

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

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

M. 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.

N. 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 through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for 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.

O. 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.

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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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.

P. 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.

Q. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

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.

R. 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, 2012
(Continued)**

Note 3 - Accountability

At June 30, 2012, the Network Connectivity, CTAE, Education Jobs, Title I, and Improving Teacher Quality special revenue funds had deficit fund balances, in the amount of \$1,800, \$1,962, \$32,780, \$6,078, and \$4,759, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 4 - 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, 2012
(Continued)**

Note 4 - 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	\$546,930	(\$245,533)
<u>Increase (Decrease) Due to:</u>		
Revenue Accruals:		
Accrued FY 2011, Received in Cash FY 2012	2,222,408	36,838
Accrued FY 2012, Not Yet Received in Cash	(2,235,113)	(36,588)
Expenditure Accruals:		
Accrued FY 2011, Paid in Cash FY 2012	(1,739,033)	(6,551)
Accrued FY 2012, Not Yet Paid in Cash	1,522,650	25,090
Unrecorded Cash Activity 2011	412	0
Unrecorded Cash Activity 2012	(10)	0
Inventory Held for Resale	643	0
Materials and Supplies Inventory	16,554	0
Advances In	15,000	0
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(80,557)	(595)
Budget Basis	\$269,884	(\$227,339)

Note 5 - 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, 2012
(Continued)**

Note 5 - 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, 2012
(Continued)**

Note 5 - Deposits and Investments (continued)

Investments

As of June 30, 2012, the fair value of funds on deposit with STAR Ohio was \$3,430,224. The School District's investments in STAR Ohio had an average maturity of 52.5 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 - Receivables

Receivables at June 30, 2012, 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	
Keystone Local School District	\$61
Ridgedale Local School District	26,411
Total General Fund	26,472
Other Governmental Funds	
CTAE	1,614
Education Jobs	62,474
Resident Educator	3,150
Title VI-B	86,287
Title II-D	1,715
Team Nutrition Mini Grant	2,375
Title I	103,604
Improving Teacher Quality	6,922
Total Other Governmental Funds	268,141
Total Intergovernmental Receivables	\$294,613

Note 7 - 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, 2012
(Continued)**

Note 7 - Property Taxes (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Marion and Morrow Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2012, 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, 2012, was \$2,097,628 in the General Fund, \$36,588 in the Classroom Facilities Maintenance special revenue fund, and \$397,675 in the Bond Retirement debt service fund. 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.

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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 7 - Property Taxes (continued)

The assessed values upon which fiscal year 2012 taxes were collected are:

	<u>2011 Second- Half Collections</u>		<u>2012 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$183,052,830	70.19%	\$184,582,040	70.93%
Industrial/Commercial	69,180,130	26.53	66,890,310	25.71
Public Utility	<u>8,555,190</u>	<u>3.28</u>	<u>8,738,290</u>	<u>3.36</u>
Total Assessed Value	<u>\$260,788,150</u>	<u>100.00%</u>	<u>\$260,210,640</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.41		\$38.89	

Note 8 - 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 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>
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	2,174,343	19,532	(13,922)	2,179,953
Vehicles	<u>1,325,110</u>	<u>388,775</u>	<u>(314,485)</u>	<u>1,399,400</u>
Total Depreciable Capital Assets	<u>43,965,138</u>	<u>408,307</u>	<u>(328,407)</u>	<u>44,045,038</u>

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 9 - Capital Assets (continued)

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$222,111)	(\$37,034)	\$0	(\$259,145)
Buildings and Building Improvements	(5,053,546)	(642,914)	0	(5,696,460)
Furniture, Fixtures, and Equipment	(1,060,183)	(106,973)	13,548	(1,153,608)
Vehicles	(1,158,220)	(81,253)	314,485	(924,988)
Total Accumulated Depreciation	<u>(7,494,060)</u>	<u>(868,174)</u>	<u>328,033</u>	<u>(8,034,201)</u>
Depreciable Capital Assets, Net	<u>36,471,078</u>	<u>(459,867)</u>	<u>(374)</u>	<u>36,010,837</u>
Governmental Activities Capital Assets, Net	<u>\$37,442,167</u>	<u>(\$459,867)</u>	<u>(\$374)</u>	<u>\$36,981,926</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$367,964
Special	28,079
Vocational	15,065
Support Services:	
Pupils	58
Instructional Staff	34,644
Administration	33,033
Fiscal	1,158
Operation and Maintenance of Plant	41,554
Pupil Transportation	95,707
Central	200
Non-Instructional Services	70,866
Extracurricular Activities	179,846
Total Depreciation Expense	<u>\$868,174</u>

Note 10 - Interfund Assets/Liabilities

At June 30, 2012, the General Fund had an interfund receivable, in the amount of \$55,631 from other governmental funds for loans made to those funds. 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. Interfund receivables, in the amount of \$55,631 in the General Fund and \$25,000 in the Classroom Facilities Maintenance special revenue fund, 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, 2012
(Continued)**

Note 11 - 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 2012, the School District contracted for the following insurance coverage.

Coverage provided by the Midwestern Indemnity Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
General Aggregate	2,000,000
Building and Contents	57,586,018
Vehicle Liability	1,000,000
Umbrella Liability	4,000,000

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 Schools Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

The School District offers medical insurance to all employees through a self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The internal service fund covers claims up to \$500,000 per individual and \$1,000,000 total aggregate annually. Settled claims have not exceeded this coverage for the past three years. Stop loss insurance covers claims in excess of these limits. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2012, was estimated by the third party administrator at \$130,768.

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
2012	\$161,729	\$1,732,651	\$1,763,612	\$130,768
2011	126,979	1,846,124	1,811,374	161,729

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 12 - 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, 2012, 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.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$795,009 and \$47,059 for the fiscal year ended June 30, 2012, \$868,557 and \$48,075 for the fiscal year ended June 30, 2011, and \$907,914 and 54,264 for the fiscal year ended June 30, 2010. For fiscal year 2012, 83 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 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$8,438 made by the School District and \$6,027 made by the plan members. In addition, member contributions of \$33,614 were made for fiscal year 2012 for the defined contribution portion of the CP.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 12 - Defined Benefit Pension Plans (continued)

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, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 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, 2012, 2011, and 2010 was \$268,236, \$264,983, and \$272,144, respectively. For fiscal year 2011, 45 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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, 2012, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - 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.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 13 - Postemployment Benefits (continued)

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 2012, 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, 2012, 2011, and 2010 was \$65,424, \$70,650, and \$74,075, respectively. For fiscal year 2012, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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, Medicare Advantage, 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 2012, .55 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 2012, this amount was \$35,800. For fiscal year 2012, the School District paid \$42,242 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.

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$11,617, \$32,085, and \$9,795, respectively. For fiscal year 2011, 45 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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 2012, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$15,841, \$17,052, and \$16,184, respectively. For fiscal year 2012, 45 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 14 - 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.

Note 15 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2008 School Improvement Refunding Bonds					
Serial Bonds - 4%	\$8,785,000	\$0	\$100,000	\$8,685,000	\$100,000
Capital Appreciation Bonds	295,000	0	0	295,000	0
Accretion on Capital Appreciation Bonds	215,704	80,585	0	296,289	0
Premium	518,224	0	5,707	512,517	0
Accounting Loss	(385,974)	4,252	0	(381,722)	0
FY2002 School Improvement Bonds 2.2-5.25%	4,730,000	0	760,000	3,970,000	795,000
Total General Obligation Bonds	14,157,954	84,837	865,707	13,377,084	895,000
Compensated Absences Payable	772,575	161,374	172,707	761,242	78,591
Capital Leases Payable	0	388,775	85,395	303,380	72,646
Total Governmental Activities Long -Term Obligations	<u>\$14,930,529</u>	<u>\$634,986</u>	<u>\$1,123,809</u>	<u>\$14,441,706</u>	<u>\$1,046,237</u>
Business-Type Activities					
Compensated Absences Payable	\$1,856	\$929	\$0	\$2,785	\$619

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 15 - Long-Term Obligations (continued)

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 2012, \$80,585 was accreted on the capital appreciation bonds for a total bond value of \$591,289 at fiscal year end.

As of 6/30/12, the refunded bonds were fully retired.

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.

Capital leases obligations will be paid from the fund that maintains custody of the related asset.

The School District's overall debt margin was \$10,916,541 with an unvoted debt margin of \$251,810 at June 30, 2012.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012, were as follows:

Fiscal Year Ending	General Obligation Bonds			Total
	Serial	Capital Appreciation	Interest	
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	0	295,000	1,186,788	1,481,788
2018-2022	5,915,000	0	1,263,440	7,178,440
2023-2024	2,800,000	0	141,482	2,941,482
	<u>\$12,655,000</u>	<u>\$295,000</u>	<u>\$4,413,744</u>	<u>\$17,363,744</u>

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 16 - Capital Leases - Lessee Disclosure

The School District has entered into capital leases for buses. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Pupil Transportation" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2012 were \$85,395.

	Governmental Activities
Property under Capital Lease	\$388,775
Less Accumulated Depreciation	(35,641)
Total June 30, 2012	\$353,134

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012.

Year	Governmental Activities	
	Principal	Interest
2013	\$72,646	\$8,737
2014	74,738	6,645
2015	76,890	4,493
2016	79,106	2,277
	\$303,380	\$22,152

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	\$278,796	\$0	\$0	\$278,796
Materials and Supplies Inventory	32,002	0	0	1,471	33,473
Total Nonspendable	32,002	278,796	0	1,471	312,269

(continued)

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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	\$71,972	\$71,972
Debt Retirement	0	0	1,203,634	0	1,203,634
Food Service Operations	0	0	0	328,013	328,013
Inventory Held for Resale	1,502	0	0	5,304	6,806
Permanent Improvements	0	0	0	24,717	24,717
Regular Instruction	1,933	0	0	4,228	6,161
School Facilities					
Maintenance	0	860,413	0	0	860,413
Special Instruction	0	0	0	32,804	32,804
Vocational Instruction	0	0	0	550	550
Total Restricted	3,435	860,413	1,203,634	467,588	2,535,070
Assigned for:					
Educational Activities	40,131	0	0	0	40,131
Unpaid Obligations	46,409	0	0	0	46,409
Total Assigned	86,540	0	0	0	86,540
Unassigned (Deficit)	2,812,899	0	0	(47,379)	2,765,520
Total Fund Balance	\$2,934,876	\$1,139,209	\$1,203,634	\$421,680	5,699,399

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 acquisition and construction of capital improvements. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2012.

	Capital Improvements
Balance June 30, 2011	\$0
Current Year Set Aside Requirement	355,305
Current Year Offsets	(355,305)
Balance June 30, 2012	\$0

Note 19 - Interfund Transfers

During fiscal year 2012, the General Fund made transfers to other governmental funds, in the amount of \$45,000, to subsidize operations in other funds.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 \$79,084 and the bank balance was \$79,084. The entire bank balance was covered by federal depository insurance.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Depreciable Capital Assets				
Equipment	\$143,035	\$0	\$0	\$143,035
Less Accumulated Depreciation	(94,473)	(9,285)	0	(103,758)
Capital Assets, Net	<u>\$48,562</u>	<u>(\$9,285)</u>	<u>\$0</u>	<u>\$39,277</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 2012, the School District paid \$49,567 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, 2012
(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 Schools Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Schools Council Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Schools Council (OSC) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a nine member Board of Directors consisting of superintendents from the member districts. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012.

B. Litigation

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

Note 24 – Subsequent Event

The sponsorship agreement with the District's discrete component unit, River Valley Academy (RVA), expired on June 30, 2012. This agreement was not renewed and effective February 14, 2013, the Board of Education voted to officially close RVA and proceed with the necessary steps to finalize the closing with the Ohio Department of Education.

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Disbursements
Program Title			
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 34,193	\$ 34,193
Cash Assistance:			
School Breakfast Program	10.553	87,488	87,488
National School Lunch Program	10.555	293,657	293,657
Total Child Nutrition Cluster		<u>415,338</u>	<u>415,338</u>
Team Nutrition Grants	10.574	7,803	11,328
Total U.S. Department of Agriculture		<u>423,141</u>	<u>426,666</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	376,268	401,081
ARRA - Special Education Grants to States, Recovery Act	84.391	39,364	25,533
Total Special Education Cluster		<u>415,632</u>	<u>426,614</u>
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	284,948	333,905
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	9,932	15,329
Total Title I Cluster		<u>294,880</u>	<u>349,234</u>
Improving Teacher Quality State Grants	84.367	52,723	59,113
Safe and Drug- Free Schools and Communities- State Grants	84.186	1,260	1,403
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395	0	3,150
Education Technology State Grants	84.318	2,465	2,193
Education Jobs Fund	84.410	294,867	329,924
Total U.S. Department of Education		<u>1,061,827</u>	<u>1,171,631</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 1,484,968</u>	<u>\$ 1,598,297</u>

The accompanying notes 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, 2012**

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, the 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2013. 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

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 did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 19, 2013.

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 19, 2013



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 the District's major federal programs for the year ended June 30, 2012. 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, 2012.

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 did note a matter 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 19, 2013.

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



Dave Yost
Auditor of State

February 19, 2013

**RIVER VALLEY LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster - CFDA #84.027 and 84.391 Education Jobs Fund - CFDA #84.410 Child Nutrition Cluster - CFDA #10.553 and 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

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, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Material Weakness – School Age Child Care (SACC) Program Supporting Documentation	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 28, 2013