

**MAD RIVER LOCAL SCHOOL DISTRICT**

**Basic Financial Statements**

**June 30, 2003**





**Auditor of State  
Betty Montgomery**

Board of Education  
Mad River Local School District  
801 Harshman Road  
Dayton, Ohio 45431

We have reviewed the Independent Auditor's Report of the Mad River Local School District, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mad River Local School District is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

April 2, 2004

**THIS PAGE INTENTIONALLY LEFT BLANK**



February 26, 2004

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Mad River Local School District, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

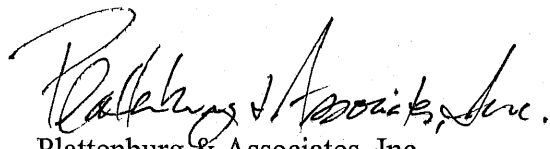
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mad River Local School District, as of June 30, 2003 and, the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*; Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*; and Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

### **Required Supplementary Information**

The Management's Discussion and Analysis and the budgetary information is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Plattenburg & Associates, Inc.  
Certified Public Accountants

**MAD RIVER LOCAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2003**  
(Unaudited)

The discussion and analysis of Mad River Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- In total, net assets increased \$9.85 million. Net assets of governmental activities increased \$9.99 million which represents a 71% increase from 2002. Net assets of business-type activities decreased \$.14 million or 42.6% from 2002.
- General revenues accounted for \$29.67 million in revenue or 70.9% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12.18 million or 29.1% of total revenues of \$41.86 million.
- Total assets of governmental activities increased by \$9.65 million as taxes receivable increased by \$.40 million while cash and other receivables increased by \$7.3 million.
- The District had \$31.87 million in expenses related to governmental activities; \$12.18 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$29.67 million were adequate to provide for these programs.
- As a major fund, the General Fund had \$29.84 million in revenues and \$28.34 million in expenditures. The General Fund's balance increased from \$6.59 to \$8.09 million. The other major fund, Classroom Facilities, had \$7.87 million in revenues and \$2.40 million in expenditures. The Classroom Facilities fund balance increased from \$18.69 to \$24.17 million.
- Net assets for Enterprise Funds decreased. This decrease resulted from operating expenses of \$1.64 million exceeding operating income of \$.91 million and grants of \$.59 million.

## Using this Basic Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next 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 District's most significant funds with all other nonmajor funds presented in total in one column. The General and Classroom Facilities Funds are the major funds of the District.

## Reporting the School District as a Whole

### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the 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 District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **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 District's food service, uniform school supplies, special services, adult education and special enterprises are reported as business activities.



## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

**Governmental Funds** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Proprietary Funds** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

### The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2002 compared to 2003:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Assets						
Current and Other Assets	\$39,709,941	\$47,383,875	\$314,071	\$208,601	\$40,024,012	\$47,592,476
Capital Assets	<u>6,384,581</u>	<u>8,359,372</u>	<u>125,474</u>	<u>103,255</u>	<u>6,510,055</u>	<u>8,462,627</u>
Total Assets	<u>46,094,522</u>	<u>55,743,247</u>	<u>439,545</u>	<u>311,856</u>	<u>46,534,067</u>	<u>56,055,103</u>
Liabilities						
Long-Term Liabilities	17,372,000	19,059,793	0	46,549	17,372,000	19,106,342
Other Liabilities	<u>14,721,635</u>	<u>12,693,998</u>	<u>113,619</u>	<u>78,276</u>	<u>14,835,254</u>	<u>12,772,274</u>
Total Liabilities	<u>32,093,635</u>	<u>31,753,791</u>	<u>113,619</u>	<u>124,825</u>	<u>32,207,254</u>	<u>31,878,616</u>
Net Assets						
Invested in Capital						
Assets Net of Debt	3,405,182	5,834,520	125,474	103,255	3,530,656	5,937,775
Restricted	5,377,215	9,213,449	0	0	5,377,215	9,213,449
Unrestricted	<u>5,218,491</u>	<u>8,941,487</u>	<u>200,452</u>	<u>83,776</u>	<u>5,418,943</u>	<u>9,025,263</u>
Total Net Assets	<u>\$14,000,887</u>	<u>\$23,989,456</u>	<u>\$325,926</u>	<u>\$187,031</u>	<u>\$14,326,813</u>	<u>\$24,176,487</u>

Total assets increased \$9.52 million. Equity in pooled cash and cash equivalents increased \$7.57 million. Taxes receivable increased \$.40 million. Total liabilities decreased \$.33 million, resulting in a net asset increase of \$9.85 million.

The net assets of the District business-type activities decreased by \$.14 million. Since the decrease was slight, management has reviewed and, where feasible, increased fees. This action should ensure that business-type activities remain self-supporting.

Table 2 shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2  
Changes in Net Assets

	Governmental Activities <u>2003</u>	Business-Type Activities <u>2003</u>	Total <u>2003</u>
Revenues			
Program Revenues:			
Charges for Services	\$1,046,850	\$911,790	\$1,958,640
Operating Grants	3,560,175	587,032	4,147,207
Capital Grants	7,581,908	0	7,581,908
General Revenue:			
Property Taxes	9,714,080	0	9,714,080
Grants and Entitlements	19,067,552	0	19,067,552
Other	<u>888,157</u>	<u>3,450</u>	<u>891,607</u>
Total Revenues	<u>41,858,722</u>	<u>1,502,272</u>	<u>43,360,994</u>
Program Expenses:			
Instruction	19,762,693	0	19,762,693
Support Services:			
Pupil and Instructional Staff	2,994,290	0	2,994,290
Board, Administrative, Fiscal and Business	3,103,415	0	3,103,415
Operations and Maintenance	2,406,454	0	2,406,454
Pupil Transportation	949,000	0	949,000
Central	182,201	0	182,201
Community Services	1,141,323	0	1,141,323
Extracurricular Activities	480,554	0	480,554
Interest and Fiscal Charges	850,223	0	850,223
Food Service	0	1,472,167	1,472,167
Uniform School Supply	0	117,732	117,732
Special Enterprise	<u>0</u>	<u>51,259</u>	<u>51,259</u>
Total Expenses	<u>31,870,153</u>	<u>1,641,158</u>	<u>33,511,311</u>
Change in Net Assets	<u>\$9,988,569</u>	<u>(\$138,886)</u>	<u>\$9,849,683</u>

## Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 69% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 23% of revenue for governmental activities for the District in fiscal year 2003.

Instruction comprises 62% of governmental program expenses. Support services expenses were 9.4% of governmental program expenses. Interest expense was 2.7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3  
Governmental Activities

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Instruction	\$19,762,193	\$9,121,413
Support Services:		
Pupil and Instructional Staff	2,994,290	2,750,378
Board, Administration, Fiscal and Business	3,103,145	2,880,932
Operations and Maintenance	2,406,454	2,077,023
Pupil Transportation	949,000	778,447
Central	182,201	161,809
Community Services	1,141,323	684,889
Extracurricular Activities	480,554	376,106
Interest and Fiscal Charges	<u>850,223</u>	<u>850,223</u>
Total Expenses	<u>\$31,870,153</u>	<u>\$19,681,220</u>

## Business-Type Activities

Business-type activities, include the food service operation, the sale of uniform school supplies, special services, adult education and special enterprises. These programs had revenues of \$1.50 million and expenses of \$1.64 million for fiscal year 2003. Business activities receive no support from tax revenues.

## The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$41,935,918 and expenditures and other financing uses of \$34,237,822. The net change in fund balance for the year was \$7,698,096, or 28.7%.

## General Fund Budgeting Highlights

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

During the course of fiscal 2003, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$29.39 million, above original budget estimates of \$27.71 million. Of this \$1.68 million difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$1.22 million above the final budgeted amount.

## Capital Assets and Debt Administration

### *Capital Assets'*

At the end of fiscal 2003, the District had \$8.46 million invested in land, construction in progress, buildings, and equipment. Table 4 shows fiscal 2003 balances compared to fiscal 2002:

Table 4  
Capital Assets at June 30  
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Land and Improvements	\$916,000	\$916,000	\$0	\$0	\$916,000	\$916,000
Buildings and Improvements	0	2,524,852	0	0	0	2,524,852
Furniture and Equipment	3,399,801	3,118,336	0	0	3,399,801	3,118,336
Vehicles	<u>2,068,780</u>	<u>1,800,184</u>	<u>125,474</u>	<u>103,255</u>	<u>2,194,254</u>	<u>1,903,439</u>
Total Net Assets	<u>\$6,384,581</u>	<u>\$8,359,372</u>	<u>\$125,474</u>	<u>\$103,255</u>	<u>\$6,510,055</u>	<u>\$8,462,627</u>

The increase in capital assets is due to \$2.5 million in construction in progress. This District continues its ongoing commitment to maintaining and improving its capital assets.

**Debt**

At June 30, 2003, the District had \$17,180,000 in bonds outstanding, \$500,000 due within one year. Table 5 summarizes bonds outstanding. These bonds will be used for the construction of new school buildings.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2002</u>
General Obligation Bonds:		
Energy Management	\$110,000	\$210,000
School Facilities Project Bond	<u>17,070,000</u>	<u>17,372,000</u>
Total	<u>\$17,180,000</u>	<u>\$17,582,000</u>

**For the Future**

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

The District has committed itself to financial excellence for many years. In addition, the District’s system of budgeting and internal controls is well regarded. All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan R. Strubing, 801 Harshman Road, Riverside, OH 45431. Or E-mail at [strubing@madriver.k12.oh.us](mailto:strubing@madriver.k12.oh.us).

**THIS PAGE INTENTIONALLY LEFT BLANK**

Mad River Local School District  
Statement of Net Assets  
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$37,313,245	\$178,095	\$37,491,340
Restricted Cash and Investments	247,176	0	247,176
<b>Receivables:</b>			
Taxes	9,612,472	0	9,612,472
Accounts	138,991	6,284	145,275
Intergovernmental	71,991	0	71,991
Inventory	0	24,222	24,222
Nondepreciable Capital Assets	3,440,852	0	3,440,852
Depreciable Capital Assets, Net	4,918,520	103,255	5,021,775
<b>Total Assets</b>	<b>55,743,247</b>	<b>311,856</b>	<b>56,055,103</b>
<b>Liabilities:</b>			
Accounts Payable	69,665	0	69,665
Accrued Wages and Benefits	3,551,933	62,096	3,614,029
Accrued Interest Payable	73,681	0	73,681
Claims Payable	46,189	0	46,189
Deferred Revenue	8,952,530	16,180	8,968,710
<b>Long-Term Liabilities:</b>			
Due Within One Year	921,677	6,435	928,112
Due In More Than One Year	18,138,116	40,114	18,178,230
<b>Total Liabilities</b>	<b>31,753,791</b>	<b>124,825</b>	<b>31,878,616</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	5,724,520	103,255	5,827,775
<b>Restricted for:</b>			
Debt Service	481,683	0	481,683
Capital Projects	10,783,256	0	10,783,256
Special Revenue	583,362	0	583,362
Unrestricted	6,416,635	83,776	6,500,411
<b>Total Net Assets</b>	<b>\$23,989,456</b>	<b>\$187,031</b>	<b>\$24,176,487</b>

See accompanying notes.

Mad River Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$13,293,021	\$322,267	\$1,964,408	\$6,768,994
Special	4,578,207	83,681	682,520	100,250
Vocational	1,645,552	0	67,299	0
Other	245,913	0	0	0
<b>Support Services:</b>				
Pupil	1,562,548	181	133,275	0
Instructional Staff	1,431,742	18,184	92,272	0
General Administration	114,092	0	29,996	0
School Administration	2,094,872	90,117	102,370	330,280
Fiscal	865,546	0	0	0
Business	28,905	0	0	0
Operations and Maintenance	2,406,454	323,972	5,459	225,633
Pupil Transportation	949,000	104,000	5,750	60,803
Central	182,201	0	20,392	95,948
Community Services	1,141,323	0	456,434	0
Extracurricular Activities	480,554	104,448	0	0
Interest and Fiscal Charges	850,223	0	0	0
<b>Total Governmental Activities</b>	<b>31,870,153</b>	<b>1,046,850</b>	<b>3,560,175</b>	<b>7,581,908</b>
<b>Business-Type Activities:</b>				
Food Service	1,472,167	732,513	587,032	0
Uniform School Supply	117,732	114,637	0	0
Special Enterprise	51,259	64,640	0	0
<b>Total Business-Type Activities</b>	<b>1,641,158</b>	<b>911,790</b>	<b>587,032</b>	<b>0</b>
<b>Totals</b>	<b>\$33,511,311</b>	<b>\$1,958,640</b>	<b>\$4,147,207</b>	<b>\$7,581,908</b>

General Revenues:  
Property Taxes Levied for:  
General Purposes  
Special Revenue Purposes  
Debt Service  
Capital Projects  
Grants and Entitlements not Restricted to Specific Programs  
Unrestricted Contributions  
Investment Earnings  
Other Revenues

Total General Revenues & Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes.



Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$4,237,352)	\$0	(\$4,237,352)
(3,711,756)	0	(3,711,756)
(1,578,253)	0	(1,578,253)
(245,913)	0	(245,913)
(1,429,092)	0	(1,429,092)
(1,321,286)	0	(1,321,286)
(84,096)	0	(84,096)
(1,572,105)	0	(1,572,105)
(865,546)	0	(865,546)
(28,905)	0	(28,905)
(1,851,390)	0	(1,851,390)
(778,447)	0	(778,447)
(65,861)	0	(65,861)
(684,889)	0	(684,889)
(376,106)	0	(376,106)
(850,223)	0	(850,223)
(19,681,220)	0	(19,681,220)
0	(152,622)	(152,622)
0	(3,095)	(3,095)
0	13,381	13,381
0	(142,336)	(142,336)
(\$19,681,220)	(\$142,336)	(\$19,823,556)
7,825,048	0	7,825,048
109,984		109,984
1,179,620	0	1,179,620
599,428	0	599,428
19,067,552	0	19,067,552
832	0	832
628,227	3,422	631,649
259,098	28	259,126
29,669,789	3,450	29,673,239
9,988,569	(138,886)	9,849,683
14,000,887	325,917	14,326,804
\$23,989,456	\$187,031	\$24,176,487

Mad River Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2003

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$10,656,001	\$24,167,209	\$2,370,022	\$37,193,232
Restricted Cash and Investments	247,176	0	0	247,176
<b>Receivables:</b>				
Taxes	7,715,031	0	1,897,441	9,612,472
Accounts	138,991	0	0	138,991
Intergovernmental	0	0	71,991	71,991
Interfund	187,007	0	42,056	229,063
<b>Total Assets</b>	<b>18,944,206</b>	<b>24,167,209</b>	<b>4,381,510</b>	<b>47,492,925</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	69,526	0	139	69,665
Accrued Wages and Benefits	3,198,855	0	180,980	3,379,835
Compensated Absences	340,813	0	817	341,630
Interfund Payable	47,793	0	132,564	180,357
Deferred Revenue	7,194,340	0	1,766,647	8,960,987
<b>Total Liabilities</b>	<b>10,851,327</b>	<b>0</b>	<b>2,081,147</b>	<b>12,932,474</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	645,005	21,652,621	210,911	22,508,537
Reserved for Property Tax Advances	520,691	0	139,251	659,942
Reserved for Set-Asides	247,176	0	0	247,176
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	6,680,007	0	0	6,680,007
Special Revenue Funds	0	0	379,841	379,841
Debt Service Funds	0	0	462,886	462,886
Capital Projects Funds	0	2,514,588	1,107,474	3,622,062
<b>Total Fund Balances</b>	<b>8,092,879</b>	<b>24,167,209</b>	<b>2,300,363</b>	<b>34,560,451</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$18,944,206</b>	<b>\$24,167,209</b>	<b>\$4,381,510</b>	<b>\$47,492,925</b>

See accompanying notes.

Mad River Local School District  
Reconciliation of Total Governmental Fund Balance to  
Net Assets of Governmental Activities  
June 30, 2003

---

Total Governmental Fund Balance	\$34,560,451
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,359,372
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	8,457
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	25,118
In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.	(73,681)
Some liabilities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.	(1,710,261)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(17,180,000)</u>
Net Assets of Governmental Activities	<u>\$23,989,456</u>

See accompanying notes.

Mad River Local School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2003

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$7,825,048	\$0	\$1,889,032	\$9,714,080
Tuition and Fees	507,830	0	0	507,830
Investment Earnings	501,598	392,363	2,308	896,269
Intergovernmental	20,712,110	7,479,062	2,095,660	30,286,832
Extracurricular Activities	31,393	0	181,619	213,012
Other Revenues	266,994	0	36,972	303,966
<b>Total Revenues</b>	<b>29,844,973</b>	<b>7,871,425</b>	<b>4,205,591</b>	<b>41,921,989</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	12,728,266	0	249,238	12,977,504
Special	3,722,145	0	742,104	4,464,249
Vocational	1,440,241	0	80,815	1,521,056
Other	245,913	0	0	245,913
<b>Support Services:</b>				
Pupil	1,385,168	0	173,022	1,558,190
Instructional Staff	1,168,816	0	267,958	1,436,774
General Administration	80,775	0	33,317	114,092
School Administration	1,910,239	0	188,517	2,098,756
Fiscal	851,755	0	15,868	867,623
Business	29,009	0	0	29,009
Operations and Maintenance	2,391,987	0	4,457	2,396,444
Pupil Transportation	945,767	0	6,220	951,987
Central	169,914	0	14,783	184,697
Community Services	693,117	0	447,673	1,140,790
Extracurricular Activities	402,308	0	79,670	481,978
Capital Outlay	65,885	2,397,629	61,338	2,524,852
<b>Debt Service:</b>				
Principal Retirement	100,000	0	302,000	402,000
Interest and Fiscal Charges	11,288	0	830,620	841,908
<b>Total Expenditures</b>	<b>28,342,593</b>	<b>2,397,629</b>	<b>3,497,600</b>	<b>34,237,822</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,502,380</b>	<b>5,473,796</b>	<b>707,991</b>	<b>7,684,167</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	13,929	0	0	13,929
Transfers In	0	0	17,061	17,061
Transfers (Out)	(17,061)	0	0	(17,061)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,132)</b>	<b>0</b>	<b>17,061</b>	<b>13,929</b>
<b>Net Change in Fund Balance</b>	<b>1,499,248</b>	<b>5,473,796</b>	<b>725,052</b>	<b>7,698,096</b>
<b>Fund Balance Beginning of Year</b>	<b>6,593,631</b>	<b>18,693,413</b>	<b>1,575,311</b>	<b>26,862,355</b>
<b>Fund Balance End of Year</b>	<b>\$8,092,879</b>	<b>\$24,167,209</b>	<b>\$2,300,363</b>	<b>\$34,560,451</b>

See accompanying notes.

Mad River Local School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2003

---

Net Change in Fund Balance - Total Governmental Funds	\$7,698,096
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in 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 capital outlays exceeded depreciation in the current period.	1,974,791
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(77,196)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	402,000
In the statement of activities, interest is accrued, whereas in governmental funds, an interest expenditure is reported when due.	(8,315)
Some expenses reported in the statement of activities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	6,422
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	(7,229)
Change in Net Assets of Governmental Activities	<u>\$9,988,569</u>

See accompanying notes.

Mad River Local School District  
Statement of Net Assets  
Proprietary Funds  
June 30, 2003

	Business-Type Activity Enterprise Funds	Governmental Activities- Internal Service Fund
<b>Assets:</b>		
Equity in Pooled Cash and Investments	\$178,095	\$120,013
<b>Receivables:</b>		
Accounts	6,284	0
Inventory	24,222	0
<b>Total Current Assets</b>	<b>208,601</b>	<b>120,013</b>
Depreciable Capital Assets, Net	103,255	0
<b>Total Assets</b>	<b>311,856</b>	<b>120,013</b>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accrued Wages and Benefits	62,096	0
Compensated Absences	6,435	0
Claims Payable	0	46,189
Interfund Payable	0	48,706
Deferred Revenue	16,180	0
<b>Total Current Liabilities</b>	<b>84,711</b>	<b>94,895</b>
<b>Long-Term Liabilities:</b>		
Compensated Absences	40,114	0
<b>Total Liabilities</b>	<b>124,825</b>	<b>94,895</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	103,255	0
Unrestricted	83,776	25,118
<b>Total Net Assets</b>	<b>\$187,031</b>	<b>\$25,118</b>

See accompanying notes.

Mad River Local School District  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds	Governmental Activities- Internal Service Fund
Operating Revenues:		
Tuition and Fees	\$64,640	\$0
Charges for Services	847,150	218,677
Other Revenues	28	0
Total Operating Revenues	<u>911,818</u>	<u>218,677</u>
Operating Expenses:		
Personal Services	922,645	0
Contactual Services	54,845	0
Materials and Supplies	641,449	0
Depreciation	22,219	0
Claims Expense	0	225,906
Total Operating Expenses	<u>1,641,158</u>	<u>225,906</u>
Operating Income (Loss)	<u>(729,340)</u>	<u>(7,229)</u>
Non-Operating Revenues (Expenses):		
Investment Earnings	3,422	0
Donated Commodities	136,356	0
Operating Grants	450,676	0
Total Non-Operating Revenues (Expenses)	<u>590,454</u>	<u>0</u>
Change in Net Assets	(138,886)	(7,229)
Net Assets Beginning of Year	<u>325,917</u>	<u>32,347</u>
Net Assets End of Year	<u>\$187,031</u>	<u>\$25,118</u>

See accompanying notes.

Mad River Local School District  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds	Governmental Activities- Internal Service Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$908,125	\$218,677
Cash Payments to Employees	(888,807)	0
Cash Payments to Suppliers	(585,337)	0
Cash Payments for Claims	0	(224,196)
Net Cash Provided (Used) by Operating Activities	<u>(566,019)</u>	<u>(5,519)</u>
Cash Flows from Noncapital Financing Activities:		
Operating Grants Received	450,676	0
Payments from Other Funds	28,733	0
Payments to Other Funds	(28,733)	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>450,676</u>	<u>0</u>
Cash Flows from Investing Activities:		
Earnings on Investments	3,422	0
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>3,422</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(111,921)	(5,519)
Cash and Cash Equivalents Beginning of Year	290,016	125,532
Cash and Cash Equivalents End of Year	<u>178,095</u>	<u>120,013</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(729,340)	(7,229)
Adjustments:		
Depreciation	22,219	0
Donated Commodities	136,356	0
Changes in Assets & Liabilities:		
(Increase) Decrease in Receivables	(3,693)	0
(Increase) Decrease in Inventory	(2,757)	0
Increase (Decrease) in Payables	(24,490)	1,710
Increase (Decrease) in Accrued Liabilities	33,838	0
Increase (Decrease) in Deferred Revenue	1,848	0
Net Cash Provided (Used) by Operating Activities	<u>(\$566,019)</u>	<u>(\$5,519)</u>

Schedule of Noncash Capital Activities:

During the fiscal year, the Food Service Fund  
received contributed food commodities valued at \$136,356

See accompanying notes.



Mad River Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2003

---

---

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$411	\$54,237
Total Assets	411	\$54,237
Liabilities:		
Accounts Payable	0	469
Other Liabilities	0	53,768
Total Liabilities	0	\$54,237
Net Assets:		
Held in Trust for Scholarships	411	
Total Net Assets	\$411	

See accompanying notes.

Mad River Local School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2003

---

---

	<u>Private Purpose Trust</u>
Additions:	
Donations	<u>\$1,321</u>
Total Additions	<u>1,321</u>
Deductions:	
Scholarships	<u>1,350</u>
Total Deductions	<u>1,350</u>
Change in Net Assets	(29)
Net Assets Beginning of Year	<u>440</u>
Net Assets End of Year	<u><u>\$411</u></u>

See accompanying notes.

**MAD RIVER LOCAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2003**

**1. DESCRIPTION OF THE DISTRICT**

The Mad River Local School District (the "District") is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

Management believes the financial statements included in this report represent all of the funds of the District over which the Board of Education has the ability to exercise direct operating control.

**REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 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. For business-type activities and proprietary funds, the District has elected not to follow subsequent private-sector guidance. The most significant of the District's accounting policies are described below.

## MEASUREMENT FOCUS

### **Government-wide Financial Statements**

The District's basic financial statements consist of government-wide 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.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

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

### 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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary Funds are reported using the economic resources measurement focus.

## **FUND ACCOUNTING**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary. The focus of government and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

### **Governmental Funds**

Governmental funds focus 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 following are the District's major governmental funds:

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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Fund – This fund accounts for the financial transactions related to the construction of classroom facilities.

### **Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service.

Enterprise Funds – The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Internal Service Fund – This fund is used to account for the financing of services provided by one department to other departments of the District on a cost-reimbursement basis.

## **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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

### **3. 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 and fiduciary funds also use the accrual basis of accounting. Differences in the actual and the 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 Non-exchange 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an 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 year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a 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 to be both measurable and available at year end: property taxes available for advance, grants and interest.

### Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been 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 have also been reported as deferred revenue.

### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

## **CASH AND CASH EQUIVALENTS**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2003 amounted to \$631,649.

For purposes of the statement of cash flows, the Enterprise Funds' portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

## **INVENTORY**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption and is considered an expenditure when purchased.

The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of enterprise funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

## **CAPITAL ASSETS**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The District does not possess any infrastructure. 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.

## **RESTRICTED ASSETS**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for textbooks and instructional material.

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



<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	20 years	N/A
Buildings	20 years	N/A
Building Improvements	45 years	N/A
Equipment and Vehicles	5 - 20 years	3 - 15 years

## COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The 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 termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due to the employee at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in Proprietary Funds.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	20 days per year	10-20 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination

<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	300 days	300 days	300 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/4 paid upon retirement	1/4 paid upon retirement	1/4 paid upon retirement

**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 balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, adult education and community school. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**FUND BALANCE RESERVES AND DESIGNATIONS**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, loans, budget stabilization and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents revenues set aside that exceed statutorily required amounts.

## **CONTRIBUTIONS OF CAPITAL**

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

## **INTERFUND ACTIVITY**

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

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 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.

## **BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

### Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

### Estimated Resources

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

### Appropriations

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

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

### Encumbrances

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

### Lapsing of Appropriations

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

### **FUND EQUITY**

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, budget stabilization and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

### **CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. At June 30, 2003, there was no effect on fund balance as a result of implementing GASB statements 37 and 38. GASB interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District restated the fund liability of compensated absences that had not matured during fiscal year 2002.

The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the Enterprise Funds from last year.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003.

**RESTATEMENT OF FUND BALANCE**

The implementation of these statements had the following effects on fund balance of the major and non-major funds of the District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$6,297,660	\$20,268,722	\$26,566,382
Fund Reclassification	<u>295,971</u>	<u>2</u>	<u>295,973</u>
Adjusted Fund Balances, June 30, 2002	<u>\$6,593,631</u>	<u>\$20,268,724</u>	\$26,862,355
GASB 34 Adjustments:			
Capital Assets			\$6,384,581
Accrued Interest Payable			(65,366)
Compensated Absences Payable			(1,690,688)
Deferred Revenue			85,653
Accrued Wages and Benefits			(25,995)
Long Term Liabilities			(17,582,000)
Internal Service, Net Assets			<u>32,347</u>
Governmental Activities Net Assets, June 30, 2002			<u>\$14,000,887</u>

**4. CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits – At the year end, the carrying amount of the District's deposits was \$9,852,367. The bank balance of deposits was \$9,968,556 of which \$100,000 was covered by federal depository insurance. The remaining balance was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Federal Agency Security	\$0	\$0	\$23,280,892	\$23,280,892
State Treasury Pool*	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,659,905</u>
Total Investments	<u>\$0</u>	<u>\$0</u>	<u>\$23,280,892</u>	<u>\$27,940,797</u>

\*The District's investment in the Ohio State Treasury Pool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

## 5. PROPERTY TAXES

Real property taxes collected in 2003 were levied in April on the assessed values as of January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2003, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2003, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.



Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2003 and for which there is an enforceable legal claim. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$520,691 for General Fund, \$91,985 for Debt Service, \$39,141 for Capital Projects and \$8,125 for Special Revenue, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2003 operations. The amount available for advance at June 30, 2002 was \$197,081 for General Fund, \$32,693 for Debt Service and \$18,217 for Capital Projects, with a corresponding reserve to fund balance since the Board did not appropriate those receivables for fiscal year 2002 operations.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$223,197,250
Public Utility Personal	12,912,400
Tangible Personal Property	<u>16,177,940</u>
Total	<u>\$252,287,590</u>

## 6. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. 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.

## 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Government Activities</b>				
Land	\$916,000	\$0	\$0	\$916,000
Buildings & Improvements	11,072,268	0	0	11,072,268
Equipment	9,135,060	329,850	378,892	9,086,018
Construction in Progress	<u>0</u>	<u>2,524,852</u>	<u>0</u>	<u>2,524,852</u>
Totals at Historical Cost	<u>\$21,123,328</u>	<u>\$2,854,702</u>	<u>\$378,892</u>	<u>\$23,599,138</u>
Less Accumulated Depreciation:				
Buildings & Improvements	\$7,672,467	\$281,465	\$0	\$7,953,932
Equipment	<u>7,066,280</u>	<u>598,446</u>	<u>378,892</u>	<u>7,285,834</u>
Total Accumulated Depreciation	<u>\$14,738,747</u>	<u>\$879,911</u>	<u>\$378,892</u>	<u>\$15,239,766</u>
Governmental Activities Capital Assets, Net	<u>\$6,384,581</u>	<u>\$1,974,791</u>	<u>\$0</u>	<u>\$8,359,372</u>
<b>Business-Type Activities</b>				
Equipment	<u>\$880,035</u>	<u>\$0</u>	<u>\$0</u>	<u>\$880,035</u>
Total at Historical Cost	<u>\$880,035</u>	<u>\$0</u>	<u>\$0</u>	<u>\$880,035</u>
Less Accumulated Depreciation:				
Equipment	<u>\$754,561</u>	<u>\$22,219</u>	<u>\$0</u>	<u>\$776,780</u>
Total Accumulated Depreciation	<u>\$754,561</u>	<u>\$22,219</u>	<u>\$0</u>	<u>\$776,780</u>
Business-Type Activities Capital Assets, Net	<u>\$125,474</u>	<u>(\$22,219)</u>	<u>\$0</u>	<u>\$103,255</u>

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$483,951
Special	114,388
Vocational	196,040
Support Services:	
Pupil	23,938
School Administration	35,197
Operations and Maintenance	<u>26,397</u>
 Total Depreciation Expense	 <u>\$879,911</u>

## 8. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
<u>General Obligation Bonds and Notes:</u>						
Energy Conservation Note 1994 5.375%	06/01/04	\$210,000	\$ 0	\$ 100,000	\$110,000	\$110,000
Ohio School Facility Project Bond 2002 5.145%	12/01/24	17,372,000	0	302,000	17,070,000	390,000
Total General Obligation Bonds and Notes		17,582,000	0	402,000	17,180,000	500,000
Compensated Absences		1,764,173	115,620	0	1,879,793	421,677
Total Governmental Activities Long-Term Liabilities		<u>\$19,346,173</u>	<u>\$115,620</u>	<u>\$402,000</u>	<u>\$19,059,793</u>	<u>\$921,677</u>
<u>Business-Type Activities</u>						
Compensated Absences		<u>\$16,832</u>	<u>\$29,717</u>	<u>\$0</u>	<u>\$46,549</u>	<u>\$6,435</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$500,000	\$829,040	\$1,329,040
2005	415,000	813,637	1,228,637
2006	435,000	801,500	1,236,500
2007	530,000	785,748	1,315,748
2008	560,000	766,238	1,326,238
2009-2013	3,785,000	3,418,650	7,203,650
2014-2018	3,920,000	2,352,550	6,272,550
2019-2023	4,590,000	1,265,572	5,855,572
2024-2025	<u>2,445,000</u>	<u>129,022</u>	<u>2,574,022</u>
Totals	<u>\$17,180,000</u>	<u>\$11,161,957</u>	<u>\$28,341,957</u>

## 9. PENSION PLANS

### SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability 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 publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$601,284, \$560,508, and \$546,786 respectively; 47.2% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

### **STATE TEACHERS RETIREMENT SYSTEM**

The District participates in 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 may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, 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 DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$2,039,724, \$1,985,436, and \$1,874,760 respectively; 83.6% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

## **10. POST EMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$655,626 during the 2003 fiscal year. As of July 1, 2003, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000.

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

For 2002 fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$366,783 during the 2003 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777.

## 11. CONTINGENT LIABILITIES

### GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2003.

### LITIGATION

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

## 12. RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% co-insured with \$1,000 deductible.

Dental insurance is offered to employees through a self-insurance internal service fund. Changes in claims activity for the current and prior fiscal years are as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2003	\$44,479	\$225,906	\$224,196	\$46,189
2002	43,063	229,484	228,068	44,479
2001	27,148	228,977	213,062	43,063

There were no significant reductions in insurance coverage from coverage in the prior year.

Settlements have not exceeded insurance coverage in any of the last three fiscal years.

## 13. STATE SCHOOL FUNDING DECISION

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

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

#### 14. COMPLIANCE AND ACCOUNTABILITY

The following individual funds had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Fund:	
Title I	\$8,698

#### 15. FUND BALANCE RESERVES FOR SET-ASIDES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

For fiscal year ended June 30, 2003, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2002	\$ 0	\$ 0	\$247,176
Current Year Set-aside Requirement	523,577	523,577	0
Qualified Disbursements	(523,577)	0	0
Current Year Offsets	<u>0</u>	<u>(523,577)</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$247,176</u>
Restricted Cash as of June 30, 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$247,176</u>

Offset credits for capital activity during the year exceeded the amount required for the set-aside, resulting in offset credits available for carryover to offset capital reserve requirements of future years. Qualifying disbursements and carryover from prior years for textbooks also exceeded the required set-aside amount, resulting in carryover to offset textbook requirements in future years.

## 16. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2003, consisted of the following individual fund receivables and payables:

	Interfund Loan <u>Receivable</u>	Interfund Loan <u>Payable</u>
General Fund	\$187,007	\$47,793
Special Revenue Fund:		
Student Activity		9,944
Auxiliary Services		2,875
Career Development	3,229	
Vocational Education Enhancement		2,008
Vocational Education – Perkins		5,986
Title V Innovative Education	1,264	
Miscellaneous Federal Grants		751
Capital Project Fund:		
Replacement	37,563	111,000
Internal Service Fund:		
Employee Benefits Self Insurance		48,706
	<u>\$229,063</u>	<u>\$229,063</u>



**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

Mad River Local School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$7,074,641	\$7,726,892	\$7,501,438	(\$225,454)
Tuition and Fees	381,027	272,786	404,013	131,227
Interest	473,059	384,423	501,598	117,175
Intergovernmental	19,533,687	21,163,749	20,712,110	(451,639)
Extracurricular Activities	32,463	2,362	34,421	32,059
Other Revenues	219,802	225,994	233,062	7,068
<b>Total Revenues</b>	<b>27,714,679</b>	<b>29,776,206</b>	<b>29,386,642</b>	<b>(389,564)</b>
Expenditures:				
Current:				
Instruction:				
Regular	11,883,076	13,284,791	12,319,417	965,374
Special	3,850,412	4,328,642	3,991,797	336,845
Vocational	1,361,398	1,413,093	1,411,388	1,705
Other	364,182	318,667	377,555	(58,888)
Support Services:				
Pupil	1,298,376	1,477,178	1,346,052	131,126
Instructional Staff	1,250,652	1,283,859	1,296,575	(12,716)
General Administration	123,760	148,838	128,304	20,534
School Administration	1,853,735	2,011,581	1,921,803	89,778
Fiscal	973,078	1,237,402	1,008,809	228,593
Business	29,817	25,557	30,912	(5,355)
Operations and Maintenance	3,216,467	2,767,587	3,334,574	(566,987)
Pupil Transportation	963,569	1,043,557	998,951	44,606
Central	165,654	222,466	171,737	50,729
Community Services	8,686	10,767	9,005	1,762
Extracurricular Activities	396,643	437,098	411,208	25,890
Capital Outlay	63,551	1,951	65,885	(63,934)
<b>Total Expenditures</b>	<b>27,803,056</b>	<b>30,013,034</b>	<b>28,823,972</b>	<b>1,189,062</b>
Excess of Revenues Over (Under) Expenditures	(88,377)	(236,828)	562,670	799,498
Other financing sources (uses):				
Proceeds from Sale of Fixed Assets	13,137	2,156	13,929	11,773
Advances In	20,550	44,667	21,790	(22,877)
Advances (Out)	(15,018)	(461)	(15,569)	(15,108)
Transfers In	1,128,941	85,575	1,197,047	1,111,472
Transfers (Out)	(1,171,370)	(553,958)	(1,214,382)	(660,424)
<b>Total Other Financing Sources (Uses)</b>	<b>(23,760)</b>	<b>(422,021)</b>	<b>2,815</b>	<b>424,836</b>
<b>Net Change in Fund Balance</b>	<b>(112,137)</b>	<b>(658,849)</b>	<b>565,485</b>	<b>1,224,334</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	9,312,059	9,312,059	9,312,059	0
<b>Fund Balance End of Year</b>	<b>\$9,199,922</b>	<b>\$8,653,210</b>	<b>\$9,877,544</b>	<b>\$1,224,334</b>

See accompanying notes.

**MAD RIVER LOCAL SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2003**

**1. BUDGETARY PROCESS**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources 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 that the Board of Education may appropriate. The appropriation 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 control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District 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 issued during the fiscal year 2003.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are 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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$2,734,635
Net Adjustment for Revenue Accruals	(271,888)
Net Adjustment for Expenditure Accruals	(1,318,405)
Encumbrances	<u>(673,815)</u>
Budget Basis	<u>\$470,527</u>

**MAD RIVER LOCAL SCHOOL DISTRICT**

**Single Audit Reports**

**June 30, 2003**



**Report on compliance and on internal control over financial reporting  
based on an audit of financial statements performed in accordance with  
*Government Auditing Standards***

February 26, 2004

To the Board of Education:

We have audited the basic financial statements of the Mad River Local School District, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 26, 2004, wherein we noted the District adopted Government Accounting Standards Board 34, 37 and 38 and Government Accounting Standards Board Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

*Plattburg & Associates, Inc.*  
Plattburg & Associates, Inc.  
Certified Public Accountants



**Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133**

February 26, 2004

To the Board of Education:

Compliance

We have audited the compliance of the Mad River Local School District, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results portion of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.



### Internal Control Over Compliance

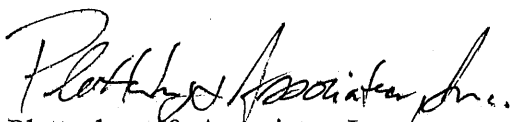
The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Federal Awards Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2003, and have issued our report thereon dated February 26, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Plattenburg & Associates, Inc.  
Certified Public Accountants

MAD RIVER LOCAL SCHOOL DISTRICT

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	NN-N1	10.550	\$0	\$136,356	\$0	\$136,356
National School Breakfast Program	05-PU	10.553	21,696	0	21,696	0
National School Lunch Program	04-PU	10.555	514,509	0	327,051	0
National Summer Lunch Program	23-ML	10.559	28,986	0	28,986	0
Total U.S. Department of Agriculture - Nutrition Cluster			565,191	136,356	377,733	136,356
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI - B Grant	6B-SF	84.027	411,662	0	507,837	0
Preschool Grant	PG-S1	84.173	16,853	0	0	0
Total Special Education Cluster			428,515	0	507,837	0
Title I Grant	C1-S1	84.010	372,723	0	401,455	0
Vocational Educational Grant	20-C1	84.048	84,423	0	119,629	0
Title VI	C2-S1	84.298	26,566	0	36,789	0
Drug Free Schools Grant	DR-S1	84.186	19,971	0	22,388	0
Goals 2000	G2-S4	84.276	0	0	716	0
School Renovation, Idea & Technology	AT-S4	84.352	22,195	0	18,174	0
Tech Literacy	*	84.318	8,541	0	7,794	0
Class Size Reduction	CR-S1	84.340	0	0	25,150	0
Teacher & Principal Training & Recruitment	TR-S1	84.367	112,432	0	102,190	0
Total Department of Education			1,075,366	0	1,242,122	0
DIRECT PROGRAMS						
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Impact Aid Grant	*	84.041	1,879,960	0	1,879,960	0
Total Department of Education - Direct			1,879,960	0	1,879,960	0
Total Federal Assistance			\$3,520,517	\$136,356	\$3,499,815	\$136,356

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants, and it is assumed that federal monies are expended first.

\* Information unavailable

**MAD RIVER LOCAL SCHOOL DISTRICT**

**June 30, 2003**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list):</i>	Special Education Cluster, Title I
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None Noted

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

None Noted

**MAD RIVER LOCAL SCHOOL DISTRICT**  
**JUNE 30, 2003**

**SCHEDULE OF PRIOR AUDIT AND QUESTIONED COSTS**  
***OMB CIRCULAR A-133***

Mad River Local School District had no prior audit findings or questioned costs.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**MAD RIVER LOCAL SCHOOL DISTRICT**

**MONTGOMERY 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  
APRIL 20, 2004**