

MAD RIVER LOCAL SCHOOL DISTRICT

Basic Financial Statements

June 30, 2005



**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, 2004 through June 30, 2005. 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 20, 2006

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February 2, 2006

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Education
Mad River Local School District

We have audited the accompanying financial statements of the governmental 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, 2005, 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 opinions on these financial statements based on our audit.

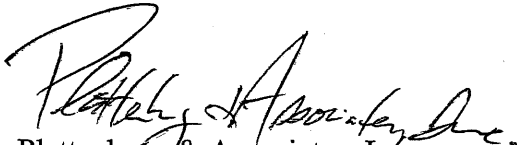
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17, the District has implemented Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees* for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by 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 required 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, 2005
(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, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities increased \$5,945,536 which represents a 8% increase from 2004.
- General revenues accounted for \$32,055,246 in revenue or 75% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,650,983 or 25% of total revenues of \$42,706,229.
- Total assets of governmental activities increased by \$7,205,583 as capital assets increased by \$32,525,192 while cash and other receivables decreased by \$25,424,323.
- The District had \$36,760,693 in expenses related to governmental activities; \$10,650,983 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$32,055,246 were adequate to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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.

Government-wide Financial Statements

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 2005?" The Government-wide Financial Statements 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 Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

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.

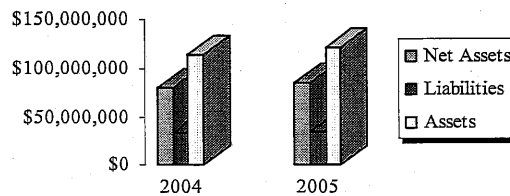
The District as a Whole

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 2004 compared to 2005:

Table 1
Net Assets

	Governmental Activities	
	2004 Restated	2005
Assets		
Current Assets	\$62,509,186	\$37,189,577
Capital Assets	50,876,283	83,401,475
Total Assets	113,385,469	120,591,052
Liabilities		
Long-Term Liabilities	17,890,237	19,758,324
Other Liabilities	15,939,732	15,331,692
Total Liabilities	33,829,969	35,090,016
Net Assets		
Invested in Capital		
Assets Net of Debt	34,196,284	64,899,475
Restricted	38,947,177	13,537,371
Unrestricted	6,412,039	7,064,190
Total Net Assets	\$79,555,500	\$85,501,036



Over time, assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$85,501,036.

Equity in pooled cash and investments for the District decreased, while capital assets increased mainly due to the District's continuous progress on the construction of six new buildings during the year.

At year-end, capital assets represented 69% of total assets. Capital assets include land, construction in progress, buildings and improvements and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2005, was \$64,899,475. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$13,537,371, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net assets of \$7,064,190 may be used to meet the District's ongoing obligations to the students and creditors. The external restriction will not affect the availability of fund resources for future use.

Table 2 shows the change in net assets at year end.

Table 2
Changes in Net Assets

	Governmental Activities	
	2004 Restated	2005
Revenues		
Program Revenues:		
Charges for Services	\$1,909,634	\$1,744,457
Operating Grants	3,842,726	4,126,090
Capital Grants	52,699,610	4,780,436
General Revenue:		
Property Taxes	10,428,825	8,897,494
Grants and Entitlements	19,790,352	22,163,172
Other	1,187,470	994,580
Total Revenues	<u>89,858,617</u>	<u>42,706,229</u>
Program Expenses:		
Instruction	19,359,373	20,634,253
Support Services:		
Pupil and Instructional Staff	3,025,260	3,497,943
General and School Administrative, Fiscal and Business	4,008,393	3,814,285
Operations and Maintenance	2,849,599	3,101,777
Pupil Transportation	1,123,463	1,092,938
Central	215,747	230,279
Operation of Non-Instructional Services	2,653,845	2,854,722
Extracurricular Activities	609,553	545,161
Interest and Fiscal Charges	710,963	989,335
Total Expenses	<u>34,556,196</u>	<u>36,760,693</u>
Change in Net Assets	55,302,421	5,945,536
Beginning Net Assets	<u>24,253,079</u>	<u>79,555,500</u>
Ending Net Assets	<u>\$79,555,500</u>	<u>\$85,501,036</u>

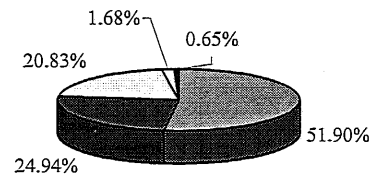
Governmental Activities

The District revenues are usually from two sources. Property taxes levied for general, special revenue, debt service and capital project purposes and grants and entitlements comprised 73% of the District's revenues for governmental activities. However, this year the District received \$4,780,436 in capital grants and contributions for the completion of six new buildings, this accounted for 11% 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 21% of revenue for governmental activities for the District in fiscal year 2005.

Revenue Sources	2005	Percent of Total
General Grants	\$22,163,172	51.90%
Program Revenues	10,650,983	24.94%
General Tax Revenues	8,897,494	20.83%
Investment Earnings	716,006	1.68%
Other Revenues	278,574	0.65%
	<u>\$42,706,229</u>	<u>100.00%</u>



Instruction comprises 56% of governmental program expenses. Support services expenses were 32% of governmental program expenses. Interest expense was 12%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Capital grant and contributions decreased \$47,919,174 from 2004, due to the District receiving most of their state grant monies for six new buildings in 2004.

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.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2004	2005	2004	2005
Instruction	\$19,359,373	\$20,634,253	\$32,102,161	(\$13,737,147)
Support Services:				
Pupil and Instructional Staff	3,025,260	3,497,943	(2,641,783)	(2,980,647)
General and School Administrative,				
Fiscal and Business	4,008,393	3,814,285	(1,629,788)	(3,336,167)
Operations and Maintenance	2,849,599	3,101,777	(1,207,635)	(2,957,459)
Pupil Transportation	1,123,463	1,092,938	(799,765)	(882,391)
Central	215,747	230,279	(191,825)	(205,833)
Operation of Non-Instructional Services	2,653,845	2,854,722	(544,172)	(660,852)
Extracurricular Activities	609,553	545,161	(480,456)	(359,879)
Interest and Fiscal Charges	710,963	989,335	(710,963)	(989,335)
Total Expenses	<u>\$34,556,196</u>	<u>\$36,760,693</u>	<u>\$23,895,774</u>	<u>(\$26,109,710)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Classroom Facilities Fund. Assets of the general fund comprised \$20,031,983 (52%) and the classroom facilities fund comprised \$10,884,166 (28%) of the total \$38,412,245 governmental funds assets.

General Fund: Fund balance at June 30, 2005 was \$7,951,319 an increase in fund balance of \$930,972 from 2004. The primary reason for the increase in fund balance was a result of the District's General Fund revenues exceeding expenditures.

Classroom Facilities Fund: Fund balance at June 30, 2005 was \$8,885,762 a decrease of \$25,634,437 from 2004. The decrease in fund balance was mainly due to the District spending \$30,802,334 on their building projects in the current year. Most of the money received for the building project was received in the prior year.

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 2005, the District amended its general fund budget. 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 actual revenue was \$31,559,337, compared to original budget estimates of \$28,349,211. Of the \$3,210,126 difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$5,047,788 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$83,401,475 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal 2005 balances compared to fiscal 2004:

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

	Governmental Activities	
	<u>2004 Restated</u>	<u>2005</u>
Land	\$916,000	\$916,000
Construction in Progress	45,496,391	78,573,526
Buildings and Improvements	2,836,870	2,614,577
Equipment	<u>1,627,022</u>	<u>1,297,372</u>
Total Net Capital Assets	<u>\$50,876,283</u>	<u>\$83,401,475</u>

The increase in capital assets is due to \$33,077,135 in construction in progress for the District's six new buildings.

See notes to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2005, the District had \$18,502,000 in bonds and capital leases outstanding, \$555,000 due within one year. Table 5 summarizes bonds outstanding. These bonds and the capital lease will be used for the construction (and renovation) of school buildings.

Table 5
Outstanding Debt, at Year End

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2005</u>
School Facilities Project Bond	\$16,680,000	\$16,265,000
OASBO Capital Lease	<u>0</u>	<u>2,237,000</u>
Total	<u>\$16,680,000</u>	<u>\$18,502,000</u>

See notes to the basic financial statements for further details on the District's long-term obligations.

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.

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, 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@madriv.k12.oh.us.

Mad River Local School District
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$25,087,852
Restricted Cash and Investments	1,091,480
Investment with Fiscal Agent	1,087,709
Receivables:	
Taxes	9,614,597
Accounts	95,037
Intergovernmental	189,790
Inventory	23,112
Nondepreciable Capital Assets	79,489,526
Depreciable Capital Assets, Net	<u>3,911,949</u>
Total Assets	<u>120,591,052</u>
Liabilities:	
Accounts Payable	821,328
Accrued Wages and Benefits	3,926,971
Retainage Payable	844,304
Accrued Interest Payable	117,608
Contracts Payable	1,043,046
Unearned Revenue	8,512,911
Claims Payable	65,524
Long-Term Liabilities:	
Due Within One Year	934,037
Due In More Than One Year	<u>18,824,287</u>
Total Liabilities	<u>35,090,016</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	64,899,475
Restricted for:	
Special Revenue	993,917
Debt Service	713,855
Capital Projects	11,582,423
Set-Aside	247,176
Unrestricted	<u>7,064,190</u>
Total Net Assets	<u>\$85,501,036</u>

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$14,181,324	\$368,964	\$991,524	\$2,615,122	(\$10,205,714)
Special	4,090,875	15,888	993,542	618,120	(2,463,325)
Vocational	1,547,476	0	33,595	1,188,692	(325,189)
Other	814,578	19	71,640	0	(742,919)
Support Services:					
Pupil	1,566,058	0	134,614	0	(1,431,444)
Instructional Staff	1,931,885	0	382,682	0	(1,549,203)
General Administration	101,817	0	0	0	(101,817)
School Administration	2,601,225	133,035	154,892	190,191	(2,123,107)
Fiscal	1,077,012	0	0	0	(1,077,012)
Business	34,231	0	0	0	(34,231)
Operations and Maintenance	3,101,777	0	1,675	142,643	(2,957,459)
Pupil Transportation	1,092,938	181,030	3,849	25,668	(882,391)
Central	230,279	0	24,446	0	(205,833)
Operation of Non-Instructional Services	2,854,722	885,531	1,308,339	0	(660,852)
Extracurricular Activities	545,161	159,990	25,292	0	(359,879)
Interest and Fiscal Charges	989,335	0	0	0	(989,335)
Totals	<u>\$36,760,693</u>	<u>\$1,744,457</u>	<u>\$4,126,090</u>	<u>\$4,780,436</u>	<u>(\$26,109,710)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	7,396,683
Special Revenue Purposes	100,094
Debt Service Purposes	1,143,071
Capital Projects Purposes	257,646
Grants and Entitlements not Restricted to Specific Program	22,163,172
Unrestricted Contributions	791
Investment Earnings	716,006
Other Revenues	277,783

Total General Revenues 32,055,246

Change in Net Assets 5,945,536

Net Assets Beginning of Year, Restated 79,555,500

Net Assets End of Year \$85,501,036

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$10,198,947	\$10,039,862	\$4,849,043	\$25,087,852
Restricted Cash and Investments	247,176	844,304	0	1,091,480
Investment with Fiscal Agent	0	0	1,087,709	1,087,709
Receivables:				
Taxes	8,319,952	0	1,294,645	9,614,597
Accounts	92,120	0	2,917	95,037
Intergovernmental	0	0	189,790	189,790
Interfund	1,173,788	0	48,880	1,222,668
Inventory	0	0	23,112	23,112
Total Assets	20,031,983	10,884,166	7,496,096	38,412,245
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	354,407	225,027	241,894	821,328
Accrued Wages and Benefits	3,648,905	0	278,066	3,926,971
Compensated Absences	178,821	0	107	178,928
Retainage Payable	0	844,304	0	844,304
Contracts Payable	0	929,073	113,973	1,043,046
Interfund Payable	48,880	0	1,173,788	1,222,668
Deferred Revenue	7,784,127	0	1,295,357	9,079,484
Claims Payable	65,524	0	0	65,524
Total Liabilities	12,080,664	1,998,404	3,103,185	17,182,253
Fund Balances:				
Reserved for Encumbrances	804,581	9,536,318	955,687	11,296,586
Reserved for Inventory	0	0	23,112	23,112
Reserved for Property Tax Advances	535,825	0	103,099	638,924
Reserved for Set-Aside	247,176	0	0	247,176
Unreserved, Undesignated, Reported in:				
General Fund	6,363,737	0	0	6,363,737
Special Revenue Funds	0	0	734,988	734,988
Debt Service Funds	0	0	672,633	672,633
Capital Projects Funds	0	(650,556)	1,903,392	1,252,836
Total Fund Balances	7,951,319	8,885,762	4,392,911	21,229,992
Total Liabilities and Fund Balances	\$20,031,983	\$10,884,166	\$7,496,096	\$38,412,245

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2005

Total Governmental Fund Balance		\$21,229,992
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.		83,401,475
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	476,322	
Intergovernmental	<u>90,251</u>	
		566,573
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(117,608)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(1,077,396)</u>	
		(1,077,396)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(18,502,000)</u>
Net Assets of Governmental Activities		<u><u>\$85,501,036</u></u>
See accompanying notes to the Basic Financial Statements.		

Mad River Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$7,779,924	\$0	\$1,560,585	\$9,340,509
Tuition and Fees	261,570	0	59,338	320,908
Investment Earnings	298,425	413,129	4,452	716,006
Intergovernmental	22,766,980	4,754,768	3,576,399	31,098,147
Extracurricular Activities	30,298	0	208,160	238,458
Charges for Services	281,613	0	885,531	1,167,144
Other Revenues	238,992	0	39,857	278,849
Total Revenues	31,657,802	5,167,897	6,334,322	43,160,021
Expenditures:				
Current:				
Instruction:				
Regular	13,679,048	0	266,912	13,945,960
Special	3,152,227	0	978,121	4,130,348
Vocational	1,394,083	0	43,328	1,437,411
Other	814,578	0	0	814,578
Support Services:				
Pupil	1,482,246	0	114,607	1,596,853
Instructional Staff	1,396,191	0	529,588	1,925,779
General Administration	101,817	0	0	101,817
School Administration	2,204,515	0	289,486	2,494,001
Fiscal	1,053,506	0	14,566	1,068,072
Business	33,582	0	0	33,582
Operations and Maintenance	2,928,574	0	25,315	2,953,889
Pupil Transportation	1,088,317	0	2,324	1,090,641
Central	198,800	0	26,611	225,411
Operation of Non-Instructional Services	574,483	0	2,263,193	2,837,676
Extracurricular Activities	441,492	0	125,837	567,329
Capital Outlay	0	30,802,334	2,274,801	33,077,135
Debt Service:				
Principal Retirement	98,000	0	415,000	513,000
Interest and Fiscal Charges	85,371	0	857,872	943,243
Total Expenditures	30,726,830	30,802,334	8,227,561	69,756,725
Excess of Revenues Over (Under) Expenditures	930,972	(25,634,437)	(1,893,239)	(26,596,704)
Other Financing Sources (Uses):				
Proceeds of Capital Leases	0	0	2,335,000	2,335,000
Total Other Financing Sources (Uses)	0	0	2,335,000	2,335,000
Net Change in Fund Balance	930,972	(25,634,437)	441,761	(24,261,704)
Fund Balance Beginning of Year, Restated	7,020,347	34,520,199	3,951,150	45,491,696
Fund Balance End of Year	\$7,951,319	\$8,885,762	\$4,392,911	\$21,229,992

See accompanying notes to the Basic Financial Statements.

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, 2005

Net Change in Fund Balance - Total Governmental Funds (\$24,261,704)

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

Governmental funds report capital asset additions 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 of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	33,235,043	
Depreciation Expense	<u>(709,851)</u>	
		32,525,192

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

Delinquent Property Taxes	(443,014)	
Intergovernmental	<u>(10,778)</u>	
		(453,792)

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 513,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. (46,092)

Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	<u>3,932</u>	
		3,932

Proceeds from debt issues are an other financing source in the funds,
 but a debt issue increases long-term liabilities in the statement
 of net assets. (2,335,000)

Change in Net Assets of Governmental Activities \$5,945,536

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$1,037</u>	<u>\$74,894</u>
Total Assets	<u>1,037</u>	<u>\$74,894</u>
Liabilities:		
Accounts Payable	0	2,446
Other Liabilities	<u>0</u>	<u>72,448</u>
Total Liabilities	<u>0</u>	<u>\$74,894</u>
Net Assets:		
Held in Trust	<u>1,037</u>	
Total Net Assets	<u>\$1,037</u>	

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust
Additions:	
Donations	\$1,412
Total Additions	1,412
Deductions:	
Scholarships	1,000
Total Deductions	1,000
Change in Net Assets	412
Net Assets Beginning of Year	625
Net Assets End of Year	\$1,037

See accompanying notes to the Basic Financial Statements.

MAD RIVER LOCAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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 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 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 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.

Fiduciary Funds (except agency 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 and fiduciary. The focus of government 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.

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 has a private purpose trust fund which accounts for scholarship programs for students. The District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

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, 2005, but which were levied to finance fiscal year 2006 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.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

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.

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.

EQUITY IN POOLED CASH AND INVESTMENTS

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 2005. 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, 2005.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue for the general fund during fiscal year 2005 amounted to \$298,425.

INVENTORY

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of food held for resale and consumable supplies.

CAPITAL ASSETS

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.

All reported capital assets are depreciated, except land and construction in progress. 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>
Buildings and Improvements	5 - 45 years
Equipment	5 - 20 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 vested payment method. 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. Compensated absences are reported in governmental funds only if they have matured.

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.

INTERFUND ASSETS/LIABILITIES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund "receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets.

INTERFUND ACTIVITY

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities.

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, inventory, property taxes and set-asides. 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.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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 in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

Restricted assets in the classroom facilities fund represents cash and cash equivalents retained by the District to pay contractors on the completion of their work.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (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.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2005, \$901,973 of the District's bank balance of \$1,001,973 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2005, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
U.S. Agencies	\$6,960,756	0.37
STAROhio	16,617,301	0.00
Repurchase Agreement	1,049,000	0.00
Money Market Fund	<u>844,304</u>	0.00
Total Fair Value	<u>\$25,471,361</u>	
Portfolio Weighted Average Maturity		0.10

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAA by Standards & Poor's. The District's investments in U.S. Agencies and in Money Market Funds were rated AAA by Standard and Poor's and Fitch ratings and Aaa by Moody's Investors Service. Repurchase agreements which are unrated, shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required in Ohio Revised Code 135.

Concentration of credit risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested more than 27% of the District’s investments in U.S. Agency securities.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

4. PROPERTY TAXES

Real property taxes collected in 2005 were levied in April on the assessed values as of January 1, 2004, 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). 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 2005, 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, 2005 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, 2005. 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, 2005, was \$535,825 for General Fund and \$103,099 for other Governmental Funds. These amounts are recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2005 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 2005 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$222,477,130
Public Utility Personal	12,456,600
Tangible Personal Property	<u>15,704,782</u>
Total	<u>\$250,638,512</u>

5. RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interfund. 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.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$916,000	\$0	\$0	\$916,000
Construction in Progress	<u>45,496,391</u>	<u>33,077,135</u>	<u>0</u>	<u>78,573,526</u>
Total Capital Assets, not being depreciated	46,412,391	33,077,135	0	79,489,526
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	11,072,268	0	0	11,072,268
Equipment	<u>8,923,489</u>	<u>157,908</u>	<u>1,612</u>	<u>9,079,785</u>
<i>Total Capital Assets, being depreciated:</i>	<u>19,995,757</u>	<u>157,908</u>	<u>1,612</u>	<u>20,152,053</u>
Totals at Historical Cost	<u>66,408,148</u>	<u>33,235,043</u>	<u>1,612</u>	<u>99,641,579</u>
Less Accumulated Depreciation:				
Buildings and Improvements	8,235,398	222,293	0	8,457,691
Equipment	<u>7,296,467</u>	<u>487,558</u>	<u>1,612</u>	<u>7,782,413</u>
Total Accumulated Depreciation	<u>15,531,865</u>	<u>709,851</u>	<u>1,612</u>	<u>16,240,104</u>
Governmental Activities Capital Assets, Net	<u>\$50,876,283</u>	<u>\$32,525,192</u>	<u>\$0</u>	<u>\$83,401,475</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$331,909
Special	58,151
Vocational	110,065
Support Services:	
Pupil	57,648
Instructional Staff	4,876
School Administration	57,648
Operations and Maintenance	<u>89,554</u>
Total Depreciation Expense	<u>\$709,851</u>

7. 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:</u>						
Ohio School Facility Project Bond 2002 5.145%	12/01/24	\$16,680,000	\$0	\$415,000	\$16,265,000	\$435,000
Capital Lease 4.47%	12/01/19	<u>0</u>	<u>2,335,000</u>	<u>98,000</u>	<u>2,237,000</u>	<u>120,000</u>
Total Long-Term Debt		16,680,000	2,335,000	513,000	18,502,000	555,000
Compensated Absences		<u>1,210,237</u>	<u>384,291</u>	<u>338,204</u>	<u>1,256,324</u>	<u>379,037</u>
Total Governmental Activities Long-Term Liabilities		<u>\$17,890,237</u>	<u>\$2,719,291</u>	<u>\$851,204</u>	<u>\$19,758,324</u>	<u>\$934,037</u>

General obligation bonds will be paid from the debt service fund. Capital lease will be paid out of the general 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:

Fiscal Year <u>Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	595,000	743,986	1,338,986
2010	710,000	717,502	1,427,502
2011-2015	4,540,000	2,716,390	7,256,390
2016-2020	3,465,000	1,927,767	5,392,767
2021-2025	<u>5,430,000</u>	<u>744,151</u>	<u>6,174,151</u>
Totals	<u>\$16,265,000</u>	<u>\$9,203,282</u>	<u>\$25,468,282</u>

8. CAPITAL LEASES – LESSEE DISCLOSURE

The capital lease proceeds were recorded in the Building Fund relates to building renovations in the District. The District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned National City Bank as trustee. National City Bank deposited \$2,335,000 in the District's name with a fiscal agent for the construction of the project. This amount is reported as Investment with Fiscal Agent on the Statement of Net Assets. Amounts will be paid to contractors by the District as the work progresses. The District will then submit invoices to the agent for reimbursement. The District made an interest payment to National City Bank. The lease is renewable annually and expires in 2019. The intention of the District is to renew the lease annually.

At fiscal year-end, project construction was underway. The District began in fiscal year 2005. The District made \$98,000 in principal payments for fiscal year 2005. The principal amount owed on the lease at year end is \$2,237,000.

The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 4.47% plus an annual administrative fee. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Long-Term</u> <u>Debt</u>
2006	\$216,531
2007	216,107
2008	216,442
2009	215,531
2010	215,378
2011-2015	1,070,987
2016-2019	<u>848,109</u>
Total Minimum Lease Payments	2,999,085
Less: Amount Representing Interest (4.47%)	(734,812)
Less: Additional Program Cost Component	<u>(27,273)</u>
Present Value of Minimum Lease Payments	<u>\$2,237,000</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 10% 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. 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, 2005, 2004, and 2003 were \$698,520, \$660,672 and \$601,284 respectively; 40% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

STATE TEACHERS RETIREMENT SYSTEM

The School 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, 2005, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%. 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, 2005, 2004, and 2003 were \$2,171,760, \$2,076,048 and \$2,039,724 respectively; 83% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

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.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$155,126 for the fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. For the District, this amount equaled \$171,137 for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

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, 2005.

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 coverage is offered to employees through a self insurance program. 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
2005	\$55,584	\$302,373	\$292,433	\$65,524
2004	46,189	248,005	238,610	55,584
2003	44,479	225,906	224,196	46,189

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. CONSTRUCTION COMMITMENTS

As of June 30, 2005, the District had the following commitment with respects to capital projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>
New Buildings/Board of Education Renovations	\$13,398,432

14. 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, 2005, the District was no longer required to set aside additional funds in the budget reserve set-aside.

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, 2004	(\$306,531)	\$ 0	\$247,176
Current Year Set-aside Requirement	518,374	518,374	0
Qualified Disbursements	(739,304)	0	0
Current Year Offsets	0	(16,852,637)	0
Set-Aside Reserve Balance as of June 30, 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$247,176</u>
Restricted Cash as of June 30, 2005	<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 of \$527,461 to offset textbook requirements in future years.

15. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2005, consisted of the following interfund receivables, interfund payables:

	Interfund	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$1,173,788	\$48,880
Other Governmental Funds	<u>48,880</u>	<u>1,173,788</u>
Total All Funds	<u>\$1,222,668</u>	<u>\$1,222,668</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed. Interfund transfers are eliminated on the statement of activities.

16. ACCOUNTABILITY

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

<u>Fund</u>	
Special Revenue Funds:	
Title I	\$11,721
Improving Teacher Quality	3,642

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

17. CHANGE IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENT

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risk: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments.

For 2005, the District has implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the General, Classroom Facilities and Other Governmental Funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>
Fund Balances, June 30, 2004	\$7,192,974	\$34,520,199	\$3,991,468
GASB Technical Bulletin No. 2004-2	<u>(172,627)</u>	<u>0</u>	<u>(40,318)</u>
Restated Fund Balance, June 30, 2004	<u>\$7,020,347</u>	<u>\$34,520,199</u>	<u>\$3,951,150</u>

A prior period adjustment was required to restate capital assets at June 30, 2004 due to an overstatement of equipment and construction in progress and understatement of depreciation expense in the prior year. This restatement had the following effect on net assets at June 30, 2004:

	<u>Governmental Activities</u>
Net assets as previously reported	\$80,487,215
Restatement for capital assets	<u>(931,715)</u>
Net assets, restated at July 1, 2004	<u>\$79,555,500</u>

18. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Computer Association

The Metropolitan Dayton Educational Computer Association (MDECA) is a jointly governed organization consisting of Dayton area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MDECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board.

19. COMPLIANCE AND ACCOUNTABILITY

Ohio Revised Code Sec. 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. During the year, the District had disbursements exceeding appropriations in the following funds: Classroom facilities fund \$1,190,586, Other Grant fund \$114,777, Auxiliary Services fund \$22,102.

Ohio Revised Code Sec. 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources. At year end, the District had appropriations exceeding estimated resources in the following funds: Other Grant fund \$1,270, Ohio Reads fund \$274, Vocational Education Enhancement fund \$3,621, Miscellaneous State Grant fund \$2,529, Vocational Education Carl D Perkins fund \$1,832, Title I fund \$45,273, Miscellaneous Grant fund \$79,305. During the year, the District had appropriations exceeding estimated resources in the following funds: Lunchroom fund \$65,325, Uniform Supply fund \$44, Vocational Educational Enhancements \$5,045, Miscellaneous State Grant fund \$6,324, Title VIB fund \$311,520, Vocational Educational Carl D. Perkins fund \$10,537, Title I fund \$322,888, Drug Free Schools fund \$696, Preschool Handicapped fund \$11,085, Miscellaneous Grant fund \$221,308.

**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, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$6,823,079	\$7,595,691	\$7,602,883	\$7,192
Tuition and Fees	394,248	438,890	439,306	416
Investment Earnings	267,816	298,143	298,425	282
Intergovernmental	20,435,630	22,749,661	22,771,202	21,541
Extracurricular Activities	28,094	31,275	31,305	30
Other Revenues	400,344	445,677	446,099	422
Total Revenues	28,349,211	31,559,337	31,589,220	29,883
Expenditures:				
Current:				
Instruction:				
Regular	14,839,692	15,714,824	13,623,627	2,091,197
Special	3,666,029	3,882,224	3,365,610	516,614
Vocational	1,678,151	1,777,116	1,540,632	236,484
Other	879,346	931,203	807,286	123,917
Support Services:				
Pupil	1,642,827	1,739,709	1,508,203	231,506
Instructional Staff	1,782,045	1,887,136	1,636,012	251,124
General Administration	130,385	138,074	119,700	18,374
School Administration	2,461,157	2,606,297	2,259,473	346,824
Fiscal	1,367,307	1,447,941	1,255,261	192,680
Business	39,745	42,089	36,488	5,601
Operations and Maintenance	3,385,759	3,585,425	3,108,307	477,118
Pupil Transportation	1,223,159	1,295,292	1,122,925	172,367
Central	222,128	235,227	203,925	31,302
Operation of Non-Instructional Services	650,064	688,399	596,793	91,606
Extracurricular Activities	485,161	513,773	445,404	68,369
Total Expenditures	34,452,955	36,484,729	31,629,646	4,855,083
Excess of Revenues Over (Under) Expenditures	(6,103,744)	(4,925,392)	(40,426)	4,884,966
Other financing sources (uses):				
Advances In	92,858	103,373	103,471	98
Advances (Out)	(1,154,523)	(1,222,609)	(1,059,914)	162,695
Transfers (Out)	(207)	(219)	(190)	29
Total Other Financing Sources (Uses)	(1,061,872)	(1,119,455)	(956,633)	162,822
Net Change in Fund Balance	(7,165,616)	(6,044,847)	(997,059)	5,047,788
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	10,300,807	10,300,807	10,300,807	0
Fund Balance End of Year	\$3,135,191	\$4,255,960	\$9,303,748	\$5,047,788

See accompanying notes to the required supplementary information.

MAD RIVER LOCAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2005

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 2005.

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 the 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	\$930,972
Net Adjustment for Revenue Accruals	34,889
Net Adjustment for Expenditure Accruals	(820,130)
Encumbrances	<u>(1,142,790)</u>
Budget Basis	<u>(\$997,059)</u>

MAD RIVER LOCAL SCHOOL DISTRICT

Single Audit Reports

June 30, 2005

MAD RIVER LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

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	\$130,766	\$0	\$130,766
National School Breakfast Program	05-PU	10.553	80,544	0	80,544	0
National School Lunch Program	04-PU	10.555	482,910	0	482,910	0
National Summer Lunch Program	23-ML	10.559	59,278	0	41,278	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>622,732</u>	<u>130,766</u>	<u>604,732</u>	<u>130,766</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI - B Grant	6B-SF	84.027	826,520	0	805,931	0
Preschool Grant	PG-S1	84.173	30,011	0	47,047	0
Total Special Education Cluster			<u>856,531</u>	<u>0</u>	<u>852,978</u>	<u>0</u>
Title I Grant	C1-S1	84.010	641,729	0	555,727	0
Vocational Educational Grant	20-C1	84.048	92,605	0	94,133	0
Title V	C2-S1	84.298	18,729	0	18,729	0
Drug Free Schools Grant	DR-S1	84.186	17,196	0	17,716	0
Tech Literacy	TL-S1	84.318	12,616	0	15,756	0
Immigrant Title III	IT-S1	84.365	4,583	0	5,919	0
Teacher & Principal Training & Recruitment	TR-S1	84.367	141,221	0	148,000	0
Total Department of Education			<u>1,785,210</u>	<u>0</u>	<u>1,708,958</u>	<u>0</u>
DIRECT PROGRAMS						
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Impact Aid Grant	N/A	84.041	1,690,076	0	1,690,076	0
Total Department of Education - Direct			<u>1,690,076</u>	<u>0</u>	<u>1,690,076</u>	<u>0</u>
Total Federal Assistance			<u>\$4,098,018</u>	<u>\$130,766</u>	<u>\$4,003,766</u>	<u>\$130,766</u>

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.



February 2, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Mad River Local School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mad River Local School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 2, 2006 in which we noted the District adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees*. 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.

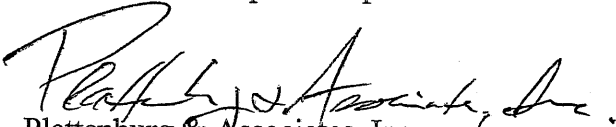
Internal Control Over Financial Reporting

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 opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-1, 2005-2 and 2005-3.

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


Plattenburg & Associates, Inc.
Certified Public Accountants



February 2, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Mad River Local School District

Compliance

We have audited the compliance of 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, 2005. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, 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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

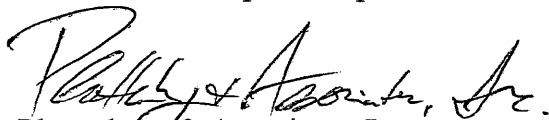
The management of the District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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 reportable 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 caused by error or fraud 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 Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2005, and have issued our report thereon dated February 2, 2006 in which we noted the District adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employees*. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's 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 Auditor of State, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Plattenburg & Associates, Inc.
Certified Public Accountants

MAD RIVER LOCAL SCHOOL DISTRICT
June 30, 2005

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number 2005-001

Noncompliance Citation

Ohio Revised Code Sec. 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. During the year, the District had disbursements exceeding appropriations in the following funds: Classroom facilities fund \$1,190,586, Other Grant fund \$114,777, Auxiliary Services fund \$22,102

Recommendation

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the fiscal year. This may be achieved by monitoring the budget more closely on a continual basis.

Management' Comment/Response

The District Treasurer is attempting to have additional modifications to appropriations approved by the Board throughout the year.

Finding Number 2005-002

Noncompliance Citation

Ohio Revised Code Sec. 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources. At year end, the District had appropriations exceeding estimated resources in the following funds: Other Grant fund \$1,270, Ohio Reads fund \$274, Vocational Education Enhancement fund \$3,621, Miscellaneous State Grant fund \$2,529, Vocational Education Carl D Perkins fund \$1,832, Title I fund \$45,273, Miscellaneous Grant fund \$79,305.

Recommendation

We recommend that the District comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budget process on a regular basis.

Management' Comment/Response

The District Treasurer is attempting to prepare modifications to amend certificates throughout the year and certify them to the County Auditor.

Finding Number 2005-003

Noncompliance Citation

Ohio Revised Code Sec. 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources. During the year, the District had appropriations exceeding estimated resources in the following funds: Lunchroom fund \$65,325, Uniform Supply fund \$44, Vocational Educational Enhancements \$5,045, Miscellaneous State Grant fund \$6,324, Title VIB fund \$311,520, Vocational Educational Carl D. Perkins fund \$10,537, Title I fund \$322,888, Drug Free Schools fund \$696, Preschool Handicapped fund \$11,085, Miscellaneous Grant fund \$221,308.

Recommendation

We recommend that the District comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budget process on a regular basis.

Management' Comment/Response

The District Treasurer is attempting to prepare modifications to amend certificates throughout the year and certify them to the County Auditor.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted.

**MAD RIVER LOCAL SCHOOL DISTRICT
JUNE 30, 2005**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>If not fully corrected, Explain:</u>
2004-01	Ohio Revised Code Sec. 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. At year-end the District had disbursements exceeding appropriations.	Yes	Not applicable, corrected at year end.
2004-02	Ohio Revised Code Sec. 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. During the year the District had disbursements exceeding appropriations.	No	The Treasurer is attempting to have the District Board of Education more frequently approve modifications of appropriations.
2004-03	Ohio Revised Code Sec. 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources. At year-end the District had appropriations exceeding estimated resources.	No	The Treasurer is attempting to send to the county budget commission modifications in resources more frequently.



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800-282-0370

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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
MAY 4, 2006**