

**Mad River Local School District  
Montgomery County, Ohio**

Basic Financial Statements

June 30, 2008

(with Independent Auditors' Report)





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Mad River Local School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 23, 2009

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## **INDEPENDENT AUDITORS' REPORT**

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

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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the 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 Mad River Local School District, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2009, 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 assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 and the budgetary comparison schedule and notes on pages 40 through 42 are not a required part of the basic financial statements but is 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The schedule of expenditures of federal awards 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.

*Clark, Schaefer, Hachett & Co.*

Springfield, Ohio  
March 24, 2009

**MAD RIVER LOCAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2008**  
(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, 2008. 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 2008 are as follows:

- Net assets of governmental activities increased \$1,052,288 which represents a 1.3% increase from 2007.
- General revenues accounted for \$34,515,455 in revenue or 82.3% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,425,473 or 17.7% of total revenues of \$41,940,928.
- The District had \$40,888,640 in expenses related to governmental activities; \$7,425,473 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$34,515,455 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 Fund is the major fund 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 2008?” 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.

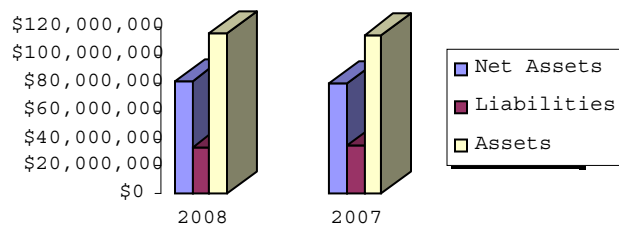
**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District’s own programs.

## 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 2008 compared to 2007:

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Current Assets	\$31,376,018	\$30,903,223
Capital Assets	82,522,549	83,985,074
<b>Total Assets</b>	<b>113,898,567</b>	<b>114,888,297</b>
<b>Liabilities</b>		
Long-Term Liabilities	18,586,114	20,157,243
Other Liabilities	13,406,078	13,876,967
<b>Total Liabilities</b>	<b>31,992,192</b>	<b>34,034,210</b>
<b>Net Assets</b>		
<b>Invested in Capital</b>		
Assets Net of Debt	66,985,844	66,692,302
Restricted	5,084,706	6,987,151
Unrestricted	9,835,825	7,174,634
<b>Total Net Assets</b>	<b>\$81,906,375</b>	<b>\$80,854,087</b>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$81,906,375.

At year-end, capital assets represented 72.5% of total assets. Capital assets include land, buildings and improvements and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2008, was \$66,985,844. 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, \$5,084,706, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net assets of \$9,835,825 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.

Current assets increased mainly due to an increase in Equity in Pooled Cash and Investments which was a result of the District holding a larger balance of investments compared to the prior year. Long-term liabilities decreased mainly due to the District continuing to make payments on their long-term debt obligations.

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

Table 2  
Changes in Net Assets

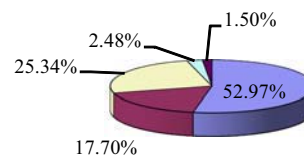
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenues		
Program Revenues:		
Charges for Services	\$1,999,784	\$2,100,353
Operating Grants	5,425,689	6,218,613
Capital Grants	0	105,913
General Revenue:		
Property Taxes	10,629,048	10,769,342
Grants and Entitlements	22,217,928	20,390,845
Other	1,668,479	2,224,986
Total Revenues	<u>41,940,928</u>	<u>41,810,052</u>
Program Expenses:		
Instruction	21,699,090	23,263,649
Support Services:		
Pupil and Instructional Staff	4,930,979	4,060,071
General and School Administrative, Fiscal and Business	3,477,365	3,898,939
Operations and Maintenance	4,759,082	3,622,489
Pupil Transportation	1,569,057	1,331,424
Central	333,078	370,780
Operation of Non-Instructional Services	2,973,989	2,890,111
Extracurricular Activities	381,842	524,074
Interest and Fiscal Charges	764,158	799,996
Total Expenses	<u>40,888,640</u>	<u>40,761,533</u>
Change in Net Assets	1,052,288	1,048,519
Beginning Net Assets	<u>80,854,087</u>	<u>79,805,568</u>
Ending Net Assets	<u>\$81,906,375</u>	<u>\$80,854,087</u>

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 78.3% 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 25.3% of revenue for governmental activities for the District in fiscal year 2008.

Revenue Sources	2008	Percent of Total
General Grants	\$22,217,928	52.97%
Program Revenues	7,425,473	17.70%
General Tax Revenues	10,629,048	25.34%
Investment Earnings	1,038,917	2.48%
Other Revenues	629,562	1.50%
	<u>\$41,940,928</u>	<u>100.00%</u>



Instruction comprises 53.1% of governmental program expenses. Support services expenses were 36.8% of governmental program expenses. All other expenses including interest expense was 10.1%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Capital grants and contributions decreased from prior years mainly because the District received most of their grant monies for the construction project in prior years. Property taxes revenue remained relatively constant in spite of the legislated deterioration of the tangible personal property tax base for local governments. Other revenues increased mainly due to an increase in investment revenue from the prior year. Total expenses increased 0.3% due to general inflationary costs. The large increase in operation and maintenance of plant was due to the repayment of unspent capital project funds back to the Ohio School Facilities Commission at the end of the building project.

## Governmental Activities

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	
	2008	2007	2008	2007
Instruction	\$21,699,090	\$23,263,649	(\$18,731,215)	(\$18,946,430)
Support Services:				
Pupil and Instructional Staff	4,930,979	4,060,071	(4,784,810)	(3,245,366)
General and School Administrative, Fiscal and Business	3,477,365	3,898,939	(3,357,336)	(3,408,761)
Operations and Maintenance	4,759,082	3,622,489	(4,759,082)	(3,610,128)
Pupil Transportation	1,569,057	1,331,424	(501,396)	(1,141,311)
Central	333,078	370,780	(186,371)	(348,255)
Operation of Non-Instructional Services	2,973,989	2,890,111	(242,066)	(622,809)
Extracurricular Activities	381,842	524,074	(136,733)	(213,598)
Interest and Fiscal Charges	764,158	799,996	(764,158)	(799,996)
Total Expenses	<u>\$40,888,640</u>	<u>\$40,761,533</u>	<u>(\$33,463,167)</u>	<u>(\$32,336,654)</u>

## The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$23,042,220 (72.4%) of the total \$31,815,032 governmental funds assets.

**General Fund:** Fund balance at June 30, 2008 was \$10,750,664 an increase in fund balance of \$1,405,208 from 2007. The primary reason for the increase in fund balance was due to an increase in taxes revenue and intergovernmental grants.

### 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 2008, 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, final budgeted revenue was \$35,989,301, compared to original budget estimates of \$34,468,583. Of the \$1,520,718 difference, most was due to a conservative estimate for taxes and intergovernmental revenue. Final budgeted expenditures was \$35,519,363, compared to original estimates of \$34,023,068. The \$1,496,295 difference was due to general inflationary increases realized during the year, including higher than expected energy and benefit costs.

The District's ending unobligated cash balance was \$1,289,976 above the final budgeted amount.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2008, the District had \$82,522,549 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2008 balances compared to fiscal 2007:

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

	Governmental Activities	
	2008	2007
Land	\$916,000	\$916,000
Buildings and Improvements	80,413,140	81,931,271
Equipment	1,193,409	1,137,803
Total Net Capital Assets	<u>\$82,522,549</u>	<u>\$83,985,074</u>

The decrease in capital assets is due to current year depreciation expense exceeding current year additions.

See note 6 to the basic financial statements for further details on the District's capital assets.

### Debt

At June 30, 2008, the District had \$16,560,716 in bonds and capital leases outstanding, \$856,000 due within one year. Table 5 summarizes bonds outstanding. These bonds and the capital lease were used for the construction (and renovation) of school buildings.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities	
	2008	2007
Bonds and Leases Payable:		
Ohio School Facility Project Bond	\$5,845,000	\$6,405,000
Refunding Bonds:		
Current Interest Bonds		
Classroom Facilities	8,510,000	8,635,000
Capital Appreciation Bonds	20,000	20,000
Interest Accretion on		
Capital Appreciation Bonds	1,024,011	982,448
Accrued Premium on Refunding Bonds	24,745	26,245
Deferred Amount on Refunding Bonds	(724,040)	(767,921)
Capital Lease	<u>1,861,000</u>	<u>1,992,000</u>
Total Bonds and Leases	<u>\$16,560,716</u>	<u>\$17,292,772</u>

See note 7 to the basic financial statements for further details on the District's long-term obligations.

## **For the Future**

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

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 Amy Twarek, 801 Harshman Road, Riverside, OH 45431 or E-mail at [amy.twarek@madriversschools.org](mailto:amy.twarek@madriversschools.org).

**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2008**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 20,567,968
Receivables:	
Taxes	9,965,799
Accounts	38,945
Intergovernmental	667,271
Deferred Charges	136,035
Nondepreciable Capital Assets	916,000
Depreciable Capital Assets, Net	<u>81,606,549</u>
Total Assets	<u>113,898,567</u>
<b>Liabilities</b>	
Accounts Payable	565,427
Accrued Wages and Benefits	2,834,467
Intergovernmental Payable	922,127
Claims Payable	64,427
Unearned Revenue	9,019,630
Long-Term Liabilities	
Due within One Year	1,296,416
Due in More Than One Year	<u>17,289,698</u>
Total Liabilities	<u>31,992,192</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	66,985,844
Restricted for:	
Debt Service	55,353
Capital Projects	2,801,963
Other Purposes	2,227,390
Unrestricted	<u>9,835,825</u>
Total Net Assets	<u>\$ 81,906,375</u>

**See accompanying notes to the financial statements**



**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction				
Regular	\$ 14,119,932	\$ 392,180	\$ 247,750	\$ (13,480,002)
Special	4,386,281	-	2,161,011	(2,225,270)
Vocational	1,826,546	-	132,102	(1,694,444)
Other Instruction	1,366,331	17,972	16,860	(1,331,499)
Support Services				
Pupils	2,244,817	-	58,888	(2,185,929)
Instructional Staff	2,686,162	15,500	71,781	(2,598,881)
General Administration	103,554	-	-	(103,554)
School Administration	2,867,443	24,433	95,596	(2,747,414)
Fiscal Services	476,184	-	-	(476,184)
Business	30,184	-	-	(30,184)
Maintenance	4,759,082	-	-	(4,759,082)
Pupil Transportation	1,569,057	44,000	1,023,661	(501,396)
Central	333,078	-	146,707	(186,371)
Non-instructional	2,973,989	1,260,590	1,471,333	(242,066)
Extra Curricular Activities	381,842	245,109	-	(136,733)
Interest and Fiscal Charges	764,158	-	-	(764,158)
<b>Total Governmental Activities</b>	<b>\$ 40,888,640</b>	<b>\$ 1,999,784</b>	<b>\$ 5,425,689</b>	<b>(33,463,167)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	9,254,723
Debt Service	1,270,862
Capital Projects	103,463
Grants & Entitlements not Restricted to Specific Programs	22,217,928
Investment Earnings	1,038,917
Miscellaneous	629,562
<b>Total General Revenues</b>	<b>34,515,455</b>

Change in Net Assets	1,052,288
Net Assets Beginning of Year	80,854,087
Net Assets End of Year	<b>\$ 81,906,375</b>

**See accompanying notes to the financial statements**

**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2008**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$ 13,361,468	\$ 7,206,500	\$ 20,567,968
Receivables:			
Taxes	8,606,770	1,359,029	9,965,799
Accounts	38,631	314	38,945
Intergovernmental	463,531	203,740	667,271
Interfund Receivable	<u>571,820</u>	<u>3,229</u>	<u>575,049</u>
Total Assets	<u>\$ 23,042,220</u>	<u>\$ 8,772,812</u>	<u>\$ 31,815,032</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 424,313	\$ 141,114	\$ 565,427
Accrued Wages and Benefits	2,623,912	210,555	2,834,467
Intergovernmental Payable	864,681	57,446	922,127
Interfund Payable	-	575,049	575,049
Deferred Revenue	8,314,223	1,476,022	9,790,245
Claims Payable	64,427	-	64,427
Compensated Absences Payable	<u>-</u>	<u>262,105</u>	<u>262,105</u>
Total Liabilities	<u>12,291,556</u>	<u>2,722,291</u>	<u>15,013,847</u>
<b>Fund Balances:</b>			
Reserved			
Encumbrances	272,407	107,238	379,645
Property Taxes	511,021	86,747	597,768
Unreserved, Reported in:			
General Fund	9,967,236	-	9,967,236
Special Revenue Funds	-	2,127,262	2,127,262
Debt Service Fund	-	957,814	957,814
Capital Project Funds	<u>-</u>	<u>2,771,460</u>	<u>2,771,460</u>
Total Fund Balances	<u>10,750,664</u>	<u>6,050,521</u>	<u>16,801,185</u>
Total Liabilities and Fund Balances	<u>\$ 23,042,220</u>	<u>\$ 8,772,812</u>	<u>\$ 31,815,032</u>

See accompanying notes to the financial statements

**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
AS OF JUNE 30, 2008**

<b>Total Governmental Fund Balances</b>	<b>\$ 16,801,185</b>
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	82,522,549
Deferred bond issuance costs associated with long-term liabilities are not reported in the funds.	136,035
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Intergovernmental	422,214
Delinquent Property Taxes	348,401
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(1,763,293)
General Obligation Debt	<u>(16,560,716)</u>
<b><i>Net Assets of Governmental Activities</i></b>	<b><u>\$ 81,906,375</u></b>

**See accompanying notes to the financial statements**

**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 9,245,128	\$ 1,372,220	\$ 10,617,348
Intergovernmental	23,758,544	3,641,153	27,399,697
Charges for Services	-	934,271	934,271
Interest	1,031,565	43,371	1,074,936
Tuition and Fees	436,180	306,328	742,508
Extracurricular Activities	32,213	207,739	239,952
Other	<u>618,748</u>	<u>57,848</u>	<u>676,596</u>
Total Revenues	<u>35,122,378</u>	<u>6,562,930</u>	<u>41,685,308</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	13,411,281	416,958	13,828,239
Special	3,259,063	909,211	4,168,274
Vocational	1,442,352	51,685	1,494,037
Other	1,316,537	49,794	1,366,331
Support services:			
Pupils	1,658,362	490,975	2,149,337
Instructional staff	2,403,717	268,324	2,672,041
Board of Education	103,554	-	103,554
Administration	2,539,953	327,173	2,867,126
Fiscal	483,320	22,445	505,765
Business	30,157	-	30,157
Operation and Maintenance of Plant	3,748,893	1,006,437	4,755,330
Pupil Transportation	1,512,376	-	1,512,376
Central	314,944	12,964	327,908
Non-instructional Services	443,701	2,532,896	2,976,597
Extracurricular Activities	469,910	90,387	560,297
Capital Outlay	-	151,444	151,444
Debt service:			
Principal Retirement	131,000	685,000	816,000
Interest and Fiscal Charges	<u>88,339</u>	<u>637,856</u>	<u>726,195</u>
Total Expenditures	<u>33,357,459</u>	<u>7,653,549</u>	<u>41,011,008</u>
Excess (Deficiency) of Revenues and Other			
Financing Sources Over (Under) Expenditures	1,764,919	(1,090,619)	674,300
<b>Other financing sources (uses):</b>			
Transfers In	-	2,333,691	2,333,691
Transfers Out	<u>(359,711)</u>	<u>(1,973,980)</u>	<u>(2,333,691)</u>
Total other financing sources (uses)	<u>(359,711)</u>	<u>359,711</u>	<u>-</u>
Net Change in Fund Balance	1,405,208	(730,908)	674,300
Fund Balance at Beginning of Year	<u>9,345,456</u>	<u>6,781,429</u>	<u>16,126,885</u>
Fund Balance at End of Year	<u>\$ 10,750,664</u>	<u>\$ 6,050,521</u>	<u>\$ 16,801,185</u>

See accompanying notes to the financial statements

**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>674,300</b>
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*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(1,462,525)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental		243,920
Delinquent Property Taxes		11,700

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.		816,000
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Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Interest Payable		54,225
Compensated Absences		806,856
Amortization of Bond Issuance Costs		(8,244)
Amortization of Bond Premium		1,500
Amortization of Deferred Charges on Refunding		(43,881)
Bond Accretion		(41,563)

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>1,052,288</u></b>
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**See accompanying notes to the financial statements**

**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2008**

	Private Purpose Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Investments	\$ 1,410	\$ 84,316
Accounts Receivable	321	-
Total Assets	1,731	84,316
<b>Liabilities:</b>		
Accounts Payable	276	1,509
Due to Students	-	82,807
Total Liabilities	276	\$ 84,316
<b>Net Assets:</b>		
Held in Trust	1,455	
Total Net Assets	\$ 1,455	

**See accompanying notes to the financial statements**

MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
AS OF JUNE 30, 2008

<b>Additions:</b>	
Donations	\$ 1,077
Other	<u>1,215</u>
Total Additions	<u>2,292</u>
<b>Deductions:</b>	
Scholarships	<u>1,816</u>
Total Deductions	<u>1,816</u>
Changes in Net Assets	476
Net Assets Beginning of Year	<u>979</u>
Net Assets End of Year	<u>\$ 1,455</u>

See accompanying notes to the financial statements

**MAD RIVER LOCAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008**

**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.

The District is associated with one organization that is defined as a jointly governed organization. This organization is the Metropolitan Dayton Educational Computer Association. This organization is presented in Note 17.

**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 is the District's major governmental fund:

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

### *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. 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 and grants.

#### 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, 2008, but which were levied to finance fiscal year 2009 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 2008. 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 Rule2A7 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, 2008.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2008 amounted to \$1,031,565 in the general fund and \$43,371 in other governmental funds.

## **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 capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of twenty-five hundred dollars (\$2,500). 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. 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>Activities Estimated Lives</u>
Buildings and Improvements	5 - 50 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 – bonus of maximum 5 days eligible
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Used prior to termination	Used prior to 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. Of the District's \$5,084,706 restricted net assets reported at fiscal year end, none were restricted by enabling legislation.

## **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.

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.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided are not eliminated in the process of consolidation.

## **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.

### **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, 2008, the District's bank balance of \$398,808 was not exposed to custodial risk because it was covered by federal depository insurance.

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, 2008, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Federal Home Loan Bank	\$2,249,813	0.99
Federal Home Loan Mortgage	5,335,417	2.57
Federal National Mortgage Association	910,911	0.93
STAROhio	9,362,648	0.00
Money Market Funds	1,029,037	0.00
Repurchase Agreement	1,641,000	0.00
Total Fair Value	\$20,528,826	
Portfolio Weighted Average Maturity		0.82

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 and Money Market Funds were rated AAAM by Standards & Poor’s. The District’s investments in Federal Home Loan Bank, Federal Home Loan Mortgage, and Federal National Mortgage Association were rated AAA by Standard and Poor’s 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 11% in Federal Home Loan Bank, 26% in Federal Home Loan Mortgage, 4% in Federal National Mortgage Association, 46% in STAROhio, 5% in Money Market Funds, and 8% in Repurchase Agreements.

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 2008 were levied in April on the assessed values as of January 1, 2007, 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.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing and equipment first reportable on the 2006 and subsequent year returns is not subject to the personal property tax.

Real property taxes are payable annually or semi-annually. In 2008, 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, 2008 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, 2008. 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, 2008, was \$511,021 for General Fund and \$86,746 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 2008 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 2008 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$245,870,840
Public Utility Personal	8,832,880
Tangible Personal Property	<u>7,362,560</u>
Total	<u>\$262,066,280</u>

## 5. RECEIVABLES

Receivables at June 30, 2008, 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, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$916,000	\$0	\$0	\$916,000
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	86,858,596	209,771	0	87,068,367
Equipment	<u>4,027,994</u>	<u>258,509</u>	<u>52,000</u>	<u>4,234,503</u>
Totals at Historical Cost	<u>91,802,590</u>	<u>468,280</u>	<u>52,000</u>	<u>92,218,870</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,927,325	1,727,902	0	6,655,227
Equipment	<u>2,890,191</u>	<u>202,903</u>	<u>52,000</u>	<u>3,041,094</u>
Total Accumulated Depreciation	<u>7,817,516</u>	<u>1,930,805</u>	<u>52,000</u>	<u>9,696,321</u>
Governmental Activities Capital Assets, Net	<u>\$83,985,074</u>	<u>(\$1,462,525)</u>	<u>\$0</u>	<u>\$82,522,549</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$886,259
Special	202,740
Vocational	332,029
Support Services:	
Pupil	111,115
School Administration	62,288
Operations and Maintenance	81,284
Pupil Transportation	223,797
Operation of Non-Instructional Services	31,293
Total Depreciation Expense	<u><u>\$1,930,805</u></u>

## **7. LONG-TERM LIABILITIES**

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
<b>Governmental Activities:</b>						
General Obligation Bonds:						
Ohio School Facility Project Bond	5.15%	\$6,405,000	\$0	\$560,000	\$5,845,000	\$595,000
Refunding Bonds:						
Current Interest Bonds						
Classroom Facilities	3.75-4.25%	8,635,000	0	125,000	8,510,000	125,000
Capital Appreciation Bonds	4.08-4.13%	20,000	0	0	20,000	0
Interest Accretion on						
Capital Appreciation Bonds		982,448	41,563	0	1,024,011	0
Accrued Premium on Refunding Bonds		26,245	0	1,500	24,745	0
Deferred Amount on Refunding Bonds		(767,921)	0	(43,881)	(724,040)	0
Total General Obligation Bonds		<u>15,300,772</u>	<u>41,563</u>	<u>642,619</u>	<u>14,699,716</u>	<u>720,000</u>
Capital Lease	4.47%	<u>1,992,000</u>	<u>0</u>	<u>131,000</u>	<u>1,861,000</u>	<u>136,000</u>
Total Long Term Debt		<u>17,292,772</u>	<u>41,563</u>	<u>773,619</u>	<u>16,560,716</u>	<u>856,000</u>
Compensated Absences		<u>2,964,586</u>	<u>178,311</u>	<u>1,117,499</u>	<u>2,025,398</u>	<u>440,416</u>
Total Governmental Activities		<u><u>\$20,257,358</u></u>	<u><u>\$219,874</u></u>	<u><u>\$1,891,118</u></u>	<u><u>\$18,586,114</u></u>	<u><u>\$1,296,416</u></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 Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	720,000	622,669	1,342,669	0	0	0
2010	840,000	594,385	1,434,385	0	0	0
2011	885,000	559,952	1,444,952	0	0	0
2012	935,000	523,014	1,458,014	0	0	0
2013	1,060,000	484,045	1,544,045	0	0	0
2014-2018	3,015,000	1,741,325	4,756,325	20,000	1,425,000	1,445,000
2019-2023	4,615,000	982,163	5,597,163	0	0	0
2024-2025	2,285,000	99,556	2,384,556	0	0	0
Total	<u>\$14,355,000</u>	<u>\$5,607,109</u>	<u>\$19,962,109</u>	<u>\$20,000</u>	<u>\$1,425,000</u>	<u>\$1,445,000</u>

## **8. PRIOR YEAR DEFEASANCE OF DEBT**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2008, \$8,530,000 of bonds outstanding are considered defeased.

## **9. CAPITAL LEASES – LESSEE DISCLOSURE**

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 in fiscal year 2006. 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 complete. The original amount of \$2,335,000 was capitalized as a building and improvement addition in 2006. The District made \$131,000 in principal payments for fiscal year 2008. The principal amount owed on the lease at year end is \$1,861,000.

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, 2008.

<u>Fiscal Year Ending June 30,</u>	<u>Long-Term Debt</u>
2009	215,531
2010	215,378
2011	214,959
2012	214,274
2013	214,603
2014-2018	1,063,970
2019	<u>211,290</u>
Total Minimum Lease Payments	2,350,005
Less: Amount Representing Interest (4.47%)	(471,249)
Less: Additional Program Cost Component	<u>(17,756)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,861,000</u></u>

## 10. PENSION PLANS

### **SCHOOL EMPLOYEES RETIREMENT SYSTEM**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$743,004, \$752,712 and \$739,032 respectively; 100 percent has been contributed for all fiscal years.

## **STATE TEACHERS RETIREMENT SYSTEM**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 a 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,435,076, \$2,492,100 and \$2,294,628 respectively; 100 percent has been contributed for all fiscal years.

## **11. POST EMPLOYMENT BENEFITS**

### **SCHOOL EMPLOYEES RETIREMENT SYSTEM**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$78,150.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$254,348, \$183,877, and \$180,535 respectively; 69.3 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$36,008, \$36,560, and \$35,896 respectively; 100 percent has been contributed for all fiscal years.

### **STATE TEACHERS RETIREMENT SYSTEM**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.



Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$173,934, \$178,007, and \$163,902 respectively; 100 percent has been contributed for all fiscal years.

**12. 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, 2008.

**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.

**13. 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 <u>of Year</u>	Current Year <u>Claims</u>	Claims <u>Payments</u>	Balance <u>End of Year</u>
2008	\$67,481	\$326,635	\$329,689	\$64,427
2007	\$65,173	\$304,452	\$302,144	\$67,481
2006	\$65,524	\$297,244	\$297,595	\$65,173

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.

**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, 2008, 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, 2007	(\$1,282,475)	\$0	\$247,176
Current Year Set-aside Requirement	600,868	600,868	0
Qualified Disbursements	(924,943)	(250,282)	(247,176)
Current Year Offsets	0	(15,210,760)	0
Total	<u>(\$1,606,550)</u>	<u>\$0</u>	<u>\$0</u>
Restricted Cash as of June 30, 2008	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Carry Forward to FY2009	<u>(\$1,606,550)</u>	<u>\$0</u>	<u>\$0</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 \$1,606,550 to offset textbook requirements in future years.

**15. INTERFUND TRANSACTIONS**

Interfund transactions at June 30, 2008, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$ 571,820	\$0	\$0	\$359,711
Other Governmental Funds	<u>3,229</u>	<u>575,049</u>	<u>2,333,691</u>	<u>1,973,980</u>
Total All Funds	<u>\$ 575,049</u>	<u>\$ 575,049</u>	<u>\$2,333,691</u>	<u>\$2,333,691</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.

The transfer out reported in the non-major governmental funds represents the closing out of the building construction capital projects fund where the remaining funds were transferred to other capital project funds in accordance with State Law.

**16. ACCOUNTABILITY**

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

<u>Fund</u>	
Special Revenue Funds:	
Other Grants	\$ 4,876
Poverty Based Assistance	15,917
IDEA Part B	40,344
Carl Perkins	12,901
Title I	82,922
Title IV	6,738
SDFS	11,154
CSRD	28,178

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. 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.

## **18. INSURANCE PURCHASING POOLS**

### *Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan*

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various GRP representatives that are elected by general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

### *Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust*

The School District also participates in the EPC Benefit Plan Trust (the Plan), a, group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The District did not participate in the dental program. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts.

**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Total Revenues:	\$ 34,468,583	\$ 35,989,301	\$ 36,321,254	\$ 331,953
Expenditures:				
Current:				
Instruction:				
Regular	14,545,293	14,676,066	13,751,745	(924,321)
Special	3,416,071	3,528,635	3,333,281	(195,354)
Vocational	1,499,804	1,683,787	1,586,936	(96,851)
Other	1,378,201	1,385,248	1,358,992	(26,256)
Support Services				
Pupils	1,598,032	1,655,109	1,698,721	43,612
Instructional Staff	1,846,923	2,142,369	2,437,270	294,901
Board of Education	122,600	157,159	131,009	(26,150)
Administration	2,393,565	2,422,920	2,639,399	216,479
Fiscal	1,248,328	1,425,525	458,437	(967,088)
Business	31,636	31,729	29,019	(2,710)
Operations of Maintenance of Plant	3,724,615	3,891,551	3,558,864	(332,687)
Pupil Transportation	1,279,116	1,558,064	1,559,510	1,446
Central	254,683	268,136	300,745	32,609
Noninstructional	-	-	339,792	339,792
Extracurricular Activities	455,601	464,465	484,060	19,595
Capital Outlay	<u>228,600</u>	<u>228,600</u>	<u>219,339</u>	<u>(9,261)</u>
Total Expenditures:	<u>34,023,068</u>	<u>35,519,363</u>	<u>33,887,119</u>	<u>(1,632,244)</u>
Excess of Revenues Over (Under) Expenditures:	<u>445,515</u>	<u>469,938</u>	<u>2,434,135</u>	<u>1,964,197</u>
Other Financing Sources (Uses)				
Other	(1,000)	(1,000)	(827)	(173)
Transfers - Out	(110,000)	(359,711)	(539,711)	180,000
Advances - Out	<u>-</u>	<u>(3,000)</u>	<u>(497,394)</u>	<u>494,394</u>
Total Other Financing Sources (Uses)	<u>(111,000)</u>	<u>(363,711)</u>	<u>(1,037,932)</u>	<u>674,221</u>
Net Change in Fund Balance:	334,515	106,227	1,396,203	1,289,976
Fund Balances at Beginning of Year	10,215,329	10,215,329	10,215,329	-
Prior Year Encumbrances Appropriated	<u>1,052,448</u>	<u>1,052,448</u>	<u>1,052,448</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 11,602,292</u>	<u>\$ 11,374,004</u>	<u>\$ 12,663,980</u>	<u>\$ 1,289,976</u>

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, 2008**

**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 2008.

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	\$1,405,208
Net Adjustment for Revenue Accruals	1,198,876
Net Adjustment for Expenditure Accruals	(12,998)
Advances In (Out)	497,394
Encumbrances	<u>(697,489)</u>
 Budget Basis	 <u><u>\$ 1,396,203</u></u>

MAD RIVER LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Pass Through Number	Receipts	Disbursements
<b>U.S. Department of Agriculture:</b>				
<i>Passed through Ohio Department of Education:</i>				
Food Donations (1)	10.550	NN-N1	\$ 87,340	\$ 87,340
<i>Nutrition Cluster:</i>				
National School Breakfast Program	10.553	05-PU	204,036	204,036
National School Lunch Program	10.555	LL-P4	779,441	779,441
National Summer Lunch Program	10.559	24-PU	96,926	59,408
<i>Total Nutrition Cluster</i>			<u>1,080,403</u>	<u>1,042,885</u>
<b>Total US Department of Agriculture</b>			<b><u>1,167,743</u></b>	<b><u>1,130,225</u></b>
<b>U.S. Department of Education:</b>				
Impact Aid Grant	84.041	(2)	1,534,944	1,534,944
Smaller Learnings Communities Program	84.215L	(2)	-	4,799
<i>Passed through Ohio Department of Education:</i>				
<i>Special Education Cluster:</i>				
Special Education Grants to States	84.027	6B-SF	1,028,953	1,057,812
Special Education - Preschool Grants	84.173	PG-S1	20,350	20,350
<i>Total Special Education Cluster</i>			<u>1,049,303</u>	<u>1,078,162</u>
Title I Grants to Local Education Agencies	84.010	C1-S1	564,288	601,288
Vocational Education Grants	84.048	20-C1	33,266	57,028
Safe and Drug Free Schools and Communities	84.186	DR-S1	3,930	16,300
State Grants for Innovative Programs	84.298	C2-S1	1,720	4,278
Education Technology State Grants	84.318	TJ-S1	541	2,562
Comprehensive School Reform Grant	84.332	RF-CC	6,002	12,184
English Language Acquisition Grants	84.365	IT-S1	-	102
Improving Teacher Quality State Grants	84.367	TR-S1	149,281	166,212
<b>Total U.S. Department of Education</b>			<b><u>3,343,275</u></b>	<b><u>3,477,859</u></b>
<b>U.S. Department of Health and Human Services:</b>				
<i>Passed through Montgomery County Department of Jobs and Family Services</i>				
Temporary Assistance for Needy Family	93.558	(3)	92,648	92,665
<b>Total U.S. Department of Health and Human Services</b>			<b><u>92,648</u></b>	<b><u>92,665</u></b>
<b>Total Federal Assistance</b>			<b><u>\$ 4,603,666</u></b>	<b><u>\$ 4,700,749</u></b>

(1) - Estimated cash value of food commodities received and used.

(2) - Direct Award Program

(3) - Pass thru number not available

See accompanying notes to the Schedule of Expenditures of Federal Awards.



Mad River Local School District  
Notes to the Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2008

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards summarizes the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

Note B – U.S. Department Of Agriculture Programs

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first. At June 30, 2008, the School District had no significant food commodities in inventory.

Note C – Matching Requirements

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

**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**

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

We have audited the 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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 24, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

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## 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 an instance of non-compliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2008-001.

We also noted certain matters that we reported to management of the District, in a separate letter dated March 24, 2009.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, others within the District, 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.



Springfield, Ohio  
March 24, 2009

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

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

**Compliance**

We have audited the compliance of the Mad River Local School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to 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, 2008.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Education, management, others within the District, 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.



Springfield, Ohio  
March 24, 2009

Mad River Local School District  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2008

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance or other matters noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
Impact Aid Grant – CFDA #84.041	
<i>Special Education Cluster:</i>	
CFDA 84.027 – Title VI(B) Grant	
CFDA 84.173 – Preschool Disabilities Grant	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

## **Section II – Financial Statement Findings**

### Finding 2008-001: Competitive Bidding Requirements

Ohio Revised Code Section 3313.46A requires a Board of Education that wishes to build, repair, enlarge, improve or demolish any school building with a cost in excess of \$25,000, to competitively bid out such a project. During the fiscal year, the athletic booster club donated the newly constructed concession stand at the high school to the District. Upon reviewing the documents supporting the value of the capital asset at the date of donation, it was determined that the majority of the funding had come from the District over the prior two fiscal years. This project was not let for competitive bids as the athletic booster club was overseeing the project. Since the District provided the majority of the funding and knew that it would be responsible for the future maintenance and upkeep of the building once it was completed, it should have been assumed the District was paying to construct its own asset and therefore the competitive bidding requirements of the Ohio Revised Code should have been applied to the project.

The District should consult its legal counsel to determine if the competitive bidding requirements of the Ohio Revised Code are applicable in any future project in which the District itself provides a portion of the financing of an asset which will eventually be an asset of the District.

*Management Response: Mad River Schools is aware of bidding requirements. The Treasurer has taken steps to communicate bidding requirements to other members of management and reviews each purchase order for items that may require compliance with bidding laws and regulations.*

## **Section III – Federal Awards Findings and Questioned Costs**

None Noted.

Mad River Local School District  
Schedule of Prior Audit Findings and Questioned Costs  
Fiscal Year Ended June 30, 2008

Finding 2007-001

The district had three funds in which appropriations exceeded estimated resources.

*Status: Corrected.*

Finding 2007-002

The district had entered a correcting (memo) entry to its cash basis accounting system to correct issues in the prior audit period, however no supporting documentation could be obtained for this entry.

*Status: Corrected.*

Finding 2007-003

The district did not include TANF after-school, impact aid and small learning community grant expenditures on the district's federal schedule.

*Status: Corrected.*

Finding 2007-004

The district included the payroll and benefit costs of four social workers and / or therapists that serve the entire population at each of the schools in the expenditures it reported associated with the Special Education grant. Although a portion of each employee's time is used for children with special needs, the district did not maintain documentation that supports what percentage of their time is designated for special needs children versus other children.

*Status: Corrected.*





**Mary Taylor, CPA**  
Auditor of State

**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 7, 2009**