

MAD RIVER LOCAL SCHOOL DISTRICT

GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999



PLATTENBURG & ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS
CINCINNATI/DAYTON



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43215

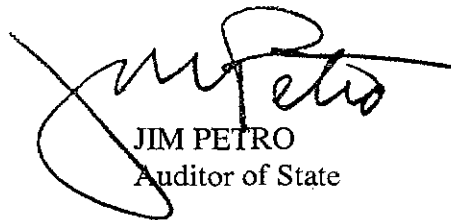
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Board of Education
Mad River Local School District

We have reviewed the Independent Auditor's Report of the Mad River Local School District, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 1998 to June 30, 1999. 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.



JIM PETRO
Auditor of State

January 11, 2000



PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountants' Report

December 10, 1999

Board of Education
Mad River Local School District
Riverside, Ohio

We have audited the accompanying general purpose financial statements of the Mad River Local School District (the District), as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Governmental Auditing Standards, we have also issued a report dated December 10, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

A large, stylized handwritten signature in cursive script that reads "Plattenburg & Associates, Inc.".

Plattenburg & Associates, Inc.
Certified Public Accountants

Mad River Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

Governmental Fund Types

| | General | Special Revenue | Capital Projects |
|---|---------------------|------------------|--------------------|
| Assets and Other Debits: | | | |
| Equity in Pooled Cash and Investments | \$4,062,984 | \$696,486 | \$1,712,478 |
| Restricted Cash | 247,032 | 0 | 0 |
| Receivables: | | | |
| Taxes | 5,848,973 | 0 | 549,190 |
| Intergovernmental | 34,878 | 16,354 | 0 |
| Accounts | 84,837 | 1,506 | 0 |
| Accrued Interest | 431 | 0 | 1,976 |
| Interfund Receivable | 325,783 | 1,264 | 37,563 |
| Inventory | 0 | 0 | 0 |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | 0 | 0 | 0 |
| Other Debits: | | | |
| Amount Available in Debt Service Fund for Amount to be Provided for Retirement of General Long-Term Obligations | 0 | -0 | 0 |
| Total Assets & Other Debits | \$10,604,918 | \$715,610 | \$2,301,207 |
| Liabilities, Fund Equity & Other Credits: | | | |
| Liabilities: | | | |
| Accounts Payable | \$437,549 | \$263,898 | \$146,634 |
| Accrued Wages & Benefits | 2,336,615 | 75,651 | 0 |
| Compensated Absences Payable | 125,611 | 2,243 | 0 |
| Interfund Payable | 37,563 | 16,561 | 261,780 |
| Claims Payable | 0 | 0 | 0 |
| Deferred Revenue | 5,675,252 | 0 | 532,499 |
| Due to Students | 0 | 0 | 0 |
| Notes Payable | 0 | 0 | 972,550 |
| Total Liabilities | 8,612,590 | 358,353 | 1,913,463 |
| Fund Equity & Other Credits: | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 |
| Retained Earnings: | | | |
| Unreserved | 0 | 0 | 0 |
| Fund Balance: | | | |
| Reserved for Encumbrances | 173,284 | 0 | 467,188 |
| Reserved for Property Tax Advances | 173,721 | 0 | 16,691 |
| Reserved For Set-Asides | 247,032 | 0 | 0 |
| Unreserved & Undesignated | 1,398,291 | 357,257 | (96,135) |
| Total Fund Equity (Deficit) & Other Credits | 1,992,328 | 357,257 | 387,744 |
| Total Liabilities, Fund Equity & Other Credits | \$10,604,918 | \$715,610 | \$2,301,207 |

See accompanying notes.

| Proprietary Fund Types | | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|------------------------|------------------|----------------------|----------------------|-------------------------------|--------------------------|
| Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long-Term Obligations | |
| \$218,635 | \$383,128 | \$94,039 | \$0 | \$0 | \$7,167,750 |
| 0 | 0 | 0 | 0 | 0 | 247,032 |
| 0 | 0 | 0 | 0 | 0 | 6,398,163 |
| 96,669 | 0 | 0 | 0 | 0 | 147,901 |
| 0 | 0 | 7,073 | 0 | 0 | 93,416 |
| 0 | 0 | 0 | 0 | 0 | 2,407 |
| 0 | 0 | 0 | 0 | 0 | 364,610 |
| 19,966 | 0 | 0 | 0 | 0 | 19,966 |
| 99,948 | 0 | 0 | 14,957,891 | 0 | 15,057,839 |
| 0 | 0 | 0 | 0 | 2,334,736 | 2,334,736 |
| <u>\$435,218</u> | <u>\$383,128</u> | <u>\$101,112</u> | <u>\$14,957,891</u> | <u>\$2,334,736</u> | <u>\$31,833,820</u> |
| \$10,944 | \$2,491 | \$0 | \$0 | \$0 | \$861,516 |
| 45,858 | 0 | 0 | 0 | 140,339 | 2,598,463 |
| 28,819 | 1,913 | 0 | 0 | 1,709,397 | 1,867,983 |
| 0 | 48,706 | 0 | 0 | 0 | 364,610 |
| 0 | 30,650 | 0 | 0 | 0 | 30,650 |
| 15,234 | 0 | 0 | 0 | 0 | 6,222,985 |
| 0 | 0 | 75,916 | 0 | 0 | 75,916 |
| 0 | 0 | 0 | 0 | 485,000 | 1,457,550 |
| <u>100,855</u> | <u>83,760</u> | <u>75,916</u> | <u>0</u> | <u>2,334,736</u> | <u>13,479,673</u> |
| 0 | 0 | 0 | 14,957,891 | 0 | 14,957,891 |
| 334,363 | 299,368 | 0 | 0 | 0 | 633,731 |
| 0 | 0 | 0 | 0 | 0 | 640,472 |
| 0 | 0 | 0 | 0 | 0 | 190,412 |
| 0 | 0 | 0 | 0 | 0 | 247,032 |
| 0 | 0 | 25,196 | 0 | 0 | 1,684,609 |
| <u>334,363</u> | <u>299,368</u> | <u>25,196</u> | <u>14,957,891</u> | <u>0</u> | <u>18,354,147</u> |
| <u>\$435,218</u> | <u>\$383,128</u> | <u>\$101,112</u> | <u>\$14,957,891</u> | <u>\$2,334,736</u> | <u>\$31,833,820</u> |

Mad River Local School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended June 30, 1999

| | Governmental Fund Types | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|------------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | Expendable Trust | |
| Revenues: | | | | | |
| Taxes | \$6,087,779 | \$0 | \$568,884 | \$0 | \$6,656,663 |
| Intergovernmental | 15,239,874 | 1,170,795 | 485,358 | 14,844 | 16,910,871 |
| Investment | 350,605 | 10,800 | 40,062 | 0 | 401,467 |
| Tuition & Fees | 153,322 | 0 | 0 | 0 | 153,322 |
| Extracurricular Activities | 0 | 70,295 | 0 | 24,405 | 94,700 |
| Miscellaneous | 262,211 | 33,150 | 12,894 | 3,078 | 311,333 |
| Total Revenues | 22,093,791 | 1,285,040 | 1,107,198 | 42,327 | 24,528,356 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 10,772,473 | 208,035 | 221,862 | 15,770 | 11,218,140 |
| Special | 1,145,969 | 368,181 | 0 | 0 | 1,514,150 |
| Vocational | 1,136,575 | 67,879 | 0 | 0 | 1,204,454 |
| Other | 154,254 | 0 | 0 | 12,068 | 166,322 |
| Support Services: | | | | | |
| Pupils | 1,034,262 | 109,025 | 0 | 0 | 1,143,287 |
| Instructional Staff | 572,383 | 67,315 | 26,822 | 280 | 666,800 |
| Board of Education | 22,249 | 0 | 0 | 0 | 22,249 |
| Administration | 3,010,026 | 117,159 | 16,404 | 809 | 3,144,398 |
| Fiscal | 559,749 | 0 | 0 | 0 | 559,749 |
| Business | 20,823 | 0 | 0 | 0 | 20,823 |
| Operation & Maintenance of Plant | 2,112,317 | 0 | 26,893 | 0 | 2,139,210 |
| Pupil Transportation | 842,502 | 0 | 0 | 0 | 842,502 |
| Central | 274,989 | 49,152 | 0 | 0 | 324,141 |
| Operation of Non-Instructional Services | 217 | 295,608 | 0 | 0 | 295,825 |
| Extracurricular Activities | 250,756 | 100,099 | 0 | 2,159 | 353,014 |
| Capital Outlay | 319 | 0 | 1,281,888 | 0 | 1,282,207 |
| Debt Service: | | | | | |
| Principal Retirement | 80,000 | 0 | 0 | 0 | 80,000 |
| Interest & Fiscal Charges | 30,369 | 0 | 0 | 0 | 30,369 |
| Total Expenditures | 22,020,232 | 1,382,453 | 1,573,869 | 31,086 | 25,007,640 |
| Excess of Revenues Over (Under) Expenditures | 73,559 | (97,413) | (466,671) | 11,241 | (479,284) |
| Other Financing Sources (Uses): | | | | | |
| Proceeds from Sale of Fixed Assets | 1,658 | 0 | 0 | 0 | 1,658 |
| Operating Transfers In | 293,656 | 0 | 0 | 0 | 293,656 |
| Operating Transfers Out | (563,054) | 0 | 0 | 0 | (563,054) |
| Total Other Financing Sources (Uses) | (267,740) | 0 | 0 | 0 | (267,740) |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses | (194,181) | (97,413) | (466,671) | 11,241 | (747,024) |
| Fund Balance, Beginning of Year | 2,186,509 | 454,670 | 854,415 | 13,955 | 3,509,549 |
| Fund Balance, End of Year | \$1,992,328 | \$357,257 | \$387,744 | \$25,196 | \$2,762,525 |

See accompanying notes.

Mad River Local School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 1999

| | General | | | Special Revenue | | |
|--|--------------------|--------------------|-----------------------------------|------------------|------------------|-----------------------------------|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$6,241,715 | \$6,241,715 | \$0 | \$0 | \$0 | \$0 |
| Intergovernmental | 15,206,188 | 15,206,188 | 0 | 1,154,442 | 1,154,442 | 0 |
| Investment | 349,500 | 349,500 | 0 | 20,120 | 20,120 | 0 |
| Tuition & Fees | 151,516 | 151,516 | 0 | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 | 68,825 | 68,825 | 0 |
| Miscellaneous | 229,253 | 229,259 | 6 | 30,976 | 30,976 | 0 |
| Total Revenues | 22,178,172 | 22,178,178 | 6 | 1,274,363 | 1,274,363 | 0 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 11,179,594 | 10,639,912 | 539,682 | 41,615 | 6,267 | 35,348 |
| Special | 1,187,637 | 1,149,934 | 37,703 | 475,795 | 394,366 | 81,429 |
| Vocational | 1,063,161 | 1,159,547 | (96,386) | 98,526 | 96,756 | 1,770 |
| Other | 466,104 | 288,229 | 177,875 | 0 | 0 | 0 |
| Support Services: | | | | | | |
| Pupils | 1,060,345 | 1,003,247 | 57,098 | 141,068 | 128,942 | 12,126 |
| Instructional Staff | 744,540 | 738,551 | 5,989 | 159,137 | 102,673 | 56,464 |
| Board of Education | 32,045 | 22,444 | 9,601 | 0 | 0 | 0 |
| Administration | 2,444,715 | 2,983,451 | (538,736) | 160,944 | 136,018 | 24,926 |
| Fiscal | 550,026 | 562,582 | (12,556) | 0 | 0 | 0 |
| Business | 20,174 | 20,701 | (527) | 0 | 0 | 0 |
| Operation & Maintenance of Plant | 2,137,257 | 2,147,025 | (9,768) | 0 | 0 | 0 |
| Pupil Transportation | 938,193 | 879,804 | 58,389 | 0 | 0 | 0 |
| Central | 265,717 | 265,862 | (145) | 58,821 | 54,778 | 4,043 |
| Operation of Non-Instructional Services | 0 | 217 | (217) | 554,206 | 349,638 | 204,568 |
| Extracurricular Activities | 246,383 | 250,970 | (4,587) | 159,754 | 107,657 | 52,097 |
| Capital Outlay | 2,291,908 | 319 | 2,291,589 | 0 | 0 | 0 |
| Debt Service: | | | | | | |
| Principal Retirement | 80,000 | 80,000 | 0 | 0 | 0 | 0 |
| Interest & Fiscal Charges | 30,369 | 30,369 | 0 | 0 | 0 | 0 |
| Total Expenditures | 24,738,168 | 22,223,164 | 2,515,004 | 1,849,866 | 1,377,095 | 472,771 |
| Excess (Deficiency) of Revenues Over Under Expenditures | (2,559,996) | (44,986) | 2,515,010 | (575,503) | (102,732) | 472,771 |
| Other Financing Sources (Uses): | | | | | | |
| Proceeds of Notes | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from Sale of Fixed Assets | 1,658 | 1,658 | 0 | 0 | 0 | 0 |
| Operating Transfers In | 293,656 | 293,656 | 0 | 0 | 0 | 0 |
| Operating Transfers Out | (151,775) | (563,054) | (411,279) | 0 | 0 | 0 |
| Advances In | 0 | 3,029 | 3,029 | 0 | 12,550 | 12,550 |
| Advances Out | 0 | (156,330) | (156,330) | 0 | (3,029) | (3,029) |
| Total Other Financing Sources (Uses) | 143,539 | (421,041) | (564,580) | 0 | 9,521 | 9,521 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses | (2,416,457) | (466,027) | 1,950,430 | (575,503) | (93,211) | 482,292 |
| Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated) | 4,165,545 | 4,165,545 | 0 | 658,351 | 658,351 | 0 |
| Fund Balance, End of Year | \$1,749,088 | \$3,699,518 | \$1,950,430 | \$82,848 | \$565,140 | \$482,292 |

See accompanying notes.

| Capital Projects | | | Totals (Memorandum Only) | | |
|--------------------|--------------------|-----------------------------------|--------------------------|--------------------|-----------------------------------|
| Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| \$583,693 | \$583,693 | \$0 | \$6,825,408 | \$6,825,408 | \$0 |
| 485,358 | 485,358 | 0 | 16,845,988 | 16,845,988 | 0 |
| 38,086 | 38,086 | 0 | 407,706 | 407,706 | 0 |
| 0 | 0 | 0 | 151,516 | 151,516 | 0 |
| 0 | 0 | 0 | 68,825 | 68,825 | 0 |
| 12,894 | 12,894 | 0 | 273,123 | 273,129 | 6 |
| <u>1,120,031</u> | <u>1,120,031</u> | <u>0</u> | <u>24,572,566</u> | <u>24,572,572</u> | <u>6</u> |
| 368,711 | 259,683 | 109,028 | 11,589,920 | 10,905,862 | 684,058 |
| 0 | 0 | 0 | 1,663,432 | 1,544,300 | 119,132 |
| 0 | 0 | 0 | 1,161,687 | 1,256,303 | (94,616) |
| 0 | 0 | 0 | 466,104 | 288,229 | 177,875 |
| 0 | 0 | 0 | 1,201,413 | 1,132,189 | 69,224 |
| 67,717 | 29,398 | 38,319 | 971,394 | 870,622 | 100,772 |
| 0 | 0 | 0 | 32,045 | 22,444 | 9,601 |
| 25,525 | 16,406 | 9,119 | 2,631,184 | 3,135,875 | (504,691) |
| 0 | 0 | 0 | 550,026 | 562,582 | (12,556) |
| 0 | 0 | 0 | 20,174 | 20,701 | (527) |
| 45,594 | 44,691 | 903 | 2,182,851 | 2,191,716 | (8,865) |
| 0 | 0 | 0 | 938,193 | 879,804 | 58,389 |
| 300 | 0 | 300 | 324,838 | 320,640 | 4,198 |
| 0 | 0 | 0 | 554,206 | 349,855 | 204,351 |
| 0 | 0 | 0 | 406,137 | 358,627 | 47,510 |
| 2,483,488 | 1,704,338 | 779,150 | 4,775,396 | 1,704,657 | 3,070,739 |
| 0 | 0 | 0 | 80,000 | 80,000 | 0 |
| 0 | 0 | 0 | 30,369 | 30,369 | 0 |
| <u>2,991,335</u> | <u>2,054,516</u> | <u>936,819</u> | <u>29,579,369</u> | <u>25,654,775</u> | <u>3,924,594</u> |
| <u>(1,871,304)</u> | <u>(934,485)</u> | <u>936,819</u> | <u>(5,006,803)</u> | <u>(1,082,203)</u> | <u>3,924,600</u> |
| 972,550 | 972,550 | 0 | 972,550 | 972,550 | 0 |
| 0 | 0 | 0 | 1,658 | 1,658 | 0 |
| 0 | 143,780 | 143,780 | 293,656 | 437,436 | 143,780 |
| 0 | 0 | 0 | (151,775) | (563,054) | (411,279) |
| 0 | 0 | 0 | 0 | 15,579 | 15,579 |
| 0 | 0 | 0 | 0 | (159,359) | (159,359) |
| <u>972,550</u> | <u>1,116,330</u> | <u>143,780</u> | <u>1,116,089</u> | <u>704,810</u> | <u>(411,279)</u> |
| (898,754) | 181,845 | 1,080,599 | (3,890,714) | (377,393) | 3,513,321 |
| 918,810 | 918,810 | 0 | 5,742,706 | 5,742,706 | 0 |
| <u>\$20,056</u> | <u>\$1,100,655</u> | <u>\$1,080,599</u> | <u>\$1,851,992</u> | <u>\$5,365,313</u> | <u>\$3,513,321</u> |

Mad River Local School District
 Combined Statement of Revenues, Expenses
 And Changes in Retained Earnings/Fund Balance
 All Proprietary Fund Types
 For the Year Ended June 30, 1999

| | Proprietary Fund Types | | Totals (Memorandum Only) |
|---|---------------------------|---------------------|--------------------------------|
| | Enterprise | Internal Service | |
| Operating Revenues: | | | |
| Charges for Services | \$569,921 | \$0 | \$569,921 |
| Tuition & Fees | 96,904 | 148,500 | 245,404 |
| Miscellaneous Revenue | 0 | 210,690 | 210,690 |
| Total Operating Revenues | 666,825 | 359,190 | 1,026,015 |
| Operating Expenses: | | | |
| Salaries | 462,727 | 140,805 | 603,532 |
| Fringe Benefits | 121,391 | 22,296 | 143,687 |
| Purchased Services | 33,956 | 229,215 | 263,171 |
| Materials & Supplies | 551,948 | 8,916 | 560,864 |
| Depreciation | 24,903 | 0 | 24,903 |
| Claims | 0 | 891 | 891 |
| Other Operating Expenses | 0 | 181,005 | 181,005 |
| Total Operating Expenses | 1,194,925 | 583,128 | 1,778,053 |
| Operating Income (Loss) | (528,100) | (223,938) | (752,038) |
| Non-Operating Revenues (Expenses): | | | |
| Investment Revenue | 2,120 | 148,028 | 150,148 |
| Donated Commodities | 114,731 | 0 | 114,731 |
| Operating Grants - State & Local | 22,488 | 0 | 22,488 |
| Operating Grants - Federal | 393,317 | 0 | 393,317 |
| Total Non-Operating Revenues | 532,656 | 148,028 | 680,684 |
| Income (Loss) before Operating Transfers | 4,556 | (75,910) | (71,354) |
| Operating Transfers In | 0 | 269,398 | 269,398 |
| Net Income | 4,556 | 193,488 | 198,044 |
| Retained Earnings, Beginning of Year | 329,807 | 105,880 | 435,687 |
| Retained Earnings, End of Year | \$334,363 | \$299,368 | \$633,731 |

See accompanying notes.

Mad River Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended June 30, 1999

| | Proprietary Fund Types | | Totals (Memorandum only) |
|--|---------------------------|---------------------|--------------------------------|
| | Enterprise | Internal Service | |
| Cash Flows from Operating Activities: | | | |
| Cash Received from Tuition & Fees | \$96,904 | \$148,500 | \$245,404 |
| Cash Received from Charges for Services | 568,090 | 0 | 568,090 |
| Cash Received from Miscellaneous Sources | 0 | 210,690 | 210,690 |
| Cash Payments for Personal Services | (623,945) | (170,802) | (794,747) |
| Cash Payments for Contract Services | (34,833) | (226,811) | (261,644) |
| Cash Payments for Supplies & Materials | (432,078) | (9,615) | (441,693) |
| Cash Payments for Other Expenses | 0 | (181,005) | (181,005) |
| Net Cash Provided (Used) by Operating Activities | <u>(425,862)</u> | <u>(229,043)</u> | <u>(654,905)</u> |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Cash Received from Other Funds | 0 | 269,398 | 269,398 |
| Cash Received from Operating Grants | 406,910 | 0 | 406,910 |
| Cash Received from Investment Earnings | 2,120 | 148,028 | 150,148 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>409,030</u> | <u>417,426</u> | <u>826,456</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition of Capital Assets | <u>(41,614)</u> | <u>0</u> | <u>(41,614)</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(41,614)</u> | <u>0</u> | <u>(41,614)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (58,446) | 188,383 | 129,937 |
| Cash and Cash Equivalents at Beginning of Year | <u>277,081</u> | <u>194,745</u> | <u>471,826</u> |
| Cash and Cash Equivalents at End of Year | <u>\$218,635</u> | <u>\$383,128</u> | <u>\$601,763</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | |
| Operating Income (Loss) | (\$528,100) | (\$223,938) | (\$752,038) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 24,903 | 0 | 24,903 |
| Donated Commodities Used | 114,731 | 0 | 114,731 |
| Changes in Assets and Liabilities: | | | |
| (Increase) Decrease in Materials & Supplies Inventory | (73) | 0 | (73) |
| Increase (Decrease) in Accounts Payable | (42,651) | 1,705 | (40,946) |
| Increase (Decrease) in Claims Payable | 0 | 891 | 891 |
| Increase (Decrease) in Accrued Wages & Benefits | 6,642 | (2,041) | 4,601 |
| Increase (Decrease) in Compensated Absences Payable | (1,407) | (5,660) | (7,067) |
| Increase (Decrease) in Deferred Revenue | 93 | 0 | 93 |
| Net Cash Provided (Used) by Operating Activities | <u>(\$425,862)</u> | <u>(\$229,043)</u> | <u>(\$654,905)</u> |

See accompanying notes.

MAD RIVER LOCAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS Fiscal Year Ended June 30, 1999

1. DESCRIPTION OF THE DISTRICT

The Mad River Local School 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the district have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below:

A. Reporting Entity

For financial reporting purposes, the District's financial statements include all funds, account groups, and component units for which the District is financially accountable based upon criteria set forth in GASB Statement 14. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appointed a voting majority of the organization's governing body; and (a) was able to impose its will on that organization; or (b) there was a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District; or
2. The organization was fiscally dependent upon the District; or
3. The nature of the relationship between the District and the organization was such that the exclusion from the financial reporting entity would render the financial statements misleading.

The District included no component units in the accompanying financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

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Governmental Funds - Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except for those accounted for in Proprietary and Fiduciary Fund types) are accounted for through Governmental Funds. The following are the District's Governmental Funds: -

General Fund - Is the general operating fund of the District and it is used to account for all financial resources except those required by law to be accounted for in another fund.

Special Revenue Funds - Are used to account for the proceeds of specific revenue sources (other than Expendable Trust or major Capital Projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - Is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs; and for the payment of interest on general obligation notes payable, as required by Ohio Law.

Capital Projects Fund - Is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds - Proprietary Funds are used to account for the District's ongoing activities which are similar to those most often found in the private sector. The following are the District's Proprietary Funds:

Enterprise Funds - Are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered

primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - Are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis.

Fiduciary Funds - Fiduciary Funds are used for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for essentially the same as Governmental Funds. Nonexpendable Trust Funds are accounted for essentially the same as Proprietary Funds. Agency Funds are custodial in nature (assets equal liabilities).

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in Proprietary Funds and Trust Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, except those accounted for in Proprietary Funds and Trust Funds.

C. Measurement Focus/Basis of Accounting

Measurement Focus - Governmental Funds types and Expendable Trust Funds are accounted for on a spending, or "current financial resources", measurement focus. Governmental Fund types and Expendable Trust Funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources.

Proprietary Funds types and Nonexpendable Trust Funds are accounted for on a cost of services, or "economic resources", measurement focus. Proprietary Fund type income statements represent increases and decreases in net total assets.

Basis of Accounting - The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under this basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the district is 60 days after fiscal year end. Revenue considered susceptible to accrual includes, but is not limited to, interest, tuition and state and federal grants. Property taxes measurable but neither available to finance the current fiscal year expenditures, nor intended to finance the current year expenditures are deferred revenue. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

Proprietary Funds are accounted for on the accrual basis of accounting. Revenue is recognized in the period earned and expenses are recognized in the period incurred.

D. Budgetary Data

Budgetary Basis of Accounting - The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budget basis and the GAAP basis are:

- (1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- (2) Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, for each fund type by expenditure function and revenue by source are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (non-GAAP Budgetary Basis). The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons. The District is required by state statute to adopt an annual appropriated budget for all Governmental Fund types. The specific timetable is as follows:

1. Prior to January 15 of the preceding fiscal year, the Board of Education adopts an operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayer's comments. The expressed purpose of this budget document is to reflect the need for existing or increased tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination.
3. Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the Montgomery County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised

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budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which are legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year, unless the county budget commission has not certified all amended certificates of estimated resources). Resolution appropriations by fund must be within the estimated resources as certified by Montgomery County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation, the total function appropriations within a fund, or object appropriations with functions, must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments, functions and funds completed the year within the amount of their legally-authorized appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriation amounts. All supplemental appropriations were legally enacted by the Board.

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

E. Encumbrances

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental fund types, encumbrances outstanding at fiscal year end appear on the combined balance sheet as a reserve of the fund balance on a GAAP Basis and for all funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

F. Cash and Investments

Cash received by the District is deposited in a cash and investment pool used by all funds. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments. State Statute authorizes the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements. Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to Agency funds, certain Trust Funds, certain Special Revenue Funds, and those funds individually authorized by Board resolution.

For purposes of the Statement of Cash Flows (GASB Statement No. 9), all highly liquid investments with a maturity of three months or less when acquired, are considered to be cash equivalents and are included under the heading "Equity in Pooled Cash and Investments".

Investments are stated at fair value as determined by quoted market prices.

G. Restricted Cash

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1999, the School District's restricted cash equaled \$247,032.

H. Inventory (Materials and Supplies)

Inventories of the Enterprise Funds are valued at lower of cost (first-in, first-out method) or market, and are determined by physical count.

I. Fixed Assets and Depreciation

1. General Fixed Assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.
2. Proprietary Funds - Equipment reflected in the Proprietary Funds is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Equipment 3 - 15 years

J. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

K. Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's right to receive compensation is attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective Governmental Fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. Compensated absences of Proprietary Funds are recorded as an expense and liability of the respective Proprietary Fund.

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the

reimbursing fund, and as a reduction in expenditures/expenses in the reimbursed fund.

3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.

M. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental Fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available resources is reported as a fund liability of a Governmental Fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group.

Long-term liabilities expected to be financed from Proprietary Fund operations are accounted for in those funds.

N. Fund Equity

Contributed capital is recorded in Proprietary Funds that received capital grants or contributions from other funds. The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserved are established for encumbrances, materials and supplies inventory, property taxes and budgetary set-asides required under Ohio law.

O. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present

financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principals. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

Q. Estimates

The preparation of the 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.

3. EQUITY IN POOLED CASH AND INVESTMENT

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet 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 that are 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, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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 designation of depositories.

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. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (Star Ohio);
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 of debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. 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.

At year end the carrying amount of the District's deposits was \$671,284. The bank balance of deposits was \$750,000, and of the bank balance, \$200,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized as defined by GASB. Although the securities were held by the pledging financial institutions' trust department in the School District's name, and all statutory requirements for the investment of the money had been followed, noncompliance with the federal requirements would potentially subject the money held in the School District's name to a successful claim by the FDIC. The District's investments are categorized to give an indication of the level or risk assumed by the entity at year end.

CATEGORY 1 includes investments that are issued, registered, or held by the District or its agent in the District's name.

CATEGORY 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the District's name.

CATEGORY 3 includes uninsured and unregistered investments held by the counterpart, or by its department or agent, but not in the District's name.

During the year, the District invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's quoted share price at year end.

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

| <u>INVESTMENT</u> | <u>RISK CATEGORY</u> | <u>CARRYING VALUE (FAIR VALUE)</u> |
|--------------------------------|--------------------------|--|
| Repurchase Agreement | 3 | \$136,855 |
| U.S. Treasury Bonds & Notes | 3 | 4,286,677 |
| (1) Star Ohio | | <u>2,319,966</u> |
| | | <u>\$6,743,498</u> |

(1) Unclassified for purposes of GASB Statement No. 3.

4. PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 1999 were based, are as follows:

| | |
|--------------------------------|----------------------|
| Tangible Personal | \$38,700,504 |
| Public Utility and Real Estate | <u>\$182,572,780</u> |
| Total Assessed Property Value | <u>\$221,273,284</u> |

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new

fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20. If paid semi-annually, the first payment (at least one-half of amount billed) was due January 20, with the remainder due on June 20.

The County Auditor remits portions of the taxes collected with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property Taxes in June and October to all taxing districts.

The School District receives property taxes from the County Auditor. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended 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.

5. FIXED ASSETS

A summary of the General Fixed Assets Account Group at year end follows:

| <u>Class</u> | <u>7/1/98</u> | <u>Additions</u> | <u>Deletions</u> | <u>6/30/99</u> |
|--------------|---------------------|------------------|------------------|---------------------|
| Land | \$ 646,129 | \$0 | \$0 | \$ 646,129 |
| Buildings | 8,166,214 | 0 | 0 | 8,166,214 |
| Equipment | <u>5,893,853</u> | <u>251,820</u> | <u>125</u> | <u>6,145,548</u> |
| Totals | <u>\$14,706,196</u> | <u>\$251,820</u> | <u>\$125</u> | <u>\$14,957,891</u> |

A summary of the Proprietary Fund fixed assets at year end follows:

| | |
|----------------------------------|------------------|
| Equipment | \$432,185 |
| Less Accumulated Depreciation | <u>(332,237)</u> |
| Net Fixed Assets | <u>\$99,948</u> |

6. CHANGES IN THE GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

During the year ended June 30, 1999, the following changes occurred in debt reported in the General Long-Term Obligations Account Group:

| | <u>Balance Beginning of Year</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance End of Year</u> |
|-----------------------------|--|-----------------|------------------|--------------------------------|
| Accrued Wages & Benefits | \$161,031 | \$0 | \$20,692 | \$140,339 |
| Notes Payable | 565,000 | 0 | 80,000 | 485,000 |
| Compensated Absences | <u>1,716,755</u> | 0 | <u>7,358</u> | <u>1,709,397</u> |
| TOTAL | <u>\$2,442,786</u> | <u>\$0</u> | <u>\$108,050</u> | <u>\$2,334,736</u> |

7. LONG-TERM DEBT

All current obligation bonds outstanding, issued to provide funds for the acquisition of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. Interest payments are made in June and December of each year. Principal payments are made in June only. The source of payment is derived from tax issue proceeds.

A. The following is a description of the District's notes outstanding as of year end:

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Balance 6/30/98</u> | <u>Issued 1999</u> | <u>Retired 1999</u> | <u>Balance 6/30/99</u> |
|------------------------|----------------------|-------------------|----------------------|------------------------|--------------------|---------------------|------------------------|
| Energy Management | 5.375 | 6/1/94 | 6/1/04 | \$565,000 | \$0 | \$80,000 | \$485,000 |
| Tax Anticipation Notes | 4.430 | 8/20/98 | 12/1/01 | \$0 | \$972,550 | \$0 | \$972,550 |

B. The following is a summary of the District's future annual debt service requirements to maturity for notes payable:

| <u>Year Ending June 30</u> | <u>Principal on Notes Payable</u> | <u>Interest on Notes Payable</u> | <u>Total</u> |
|----------------------------|-----------------------------------|----------------------------------|--------------------|
| 2000 | \$409,184 | \$81,240 | \$490,424 |
| 2001 | 419,183 | 50,223 | 469,406 |
| 2002 | 419,183 | 30,755 | 449,938 |
| 2003 | 100,000 | 11,288 | 111,288 |
| 2004 | 110,000 | 5,913 | 115,913 |
| Totals | <u>\$1,457,550</u> | <u>\$179,419</u> | <u>\$1,636,969</u> |

8. SEGMENT INFORMATION

Enterprise Funds - The District maintains two Enterprise Funds to account for the operations of Food Service and Uniform School Supply. The table below

reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the current year end.

| | <u>Food Services</u> | <u>Uniform School Supply</u> | <u>Total</u> |
|--|----------------------|----------------------------------|--------------|
| Operating Revenue | \$553,136 | \$113,689 | \$666,825 |
| Operating Expenditure before Depreciation | 1,049,035 | 120,987 | 1,170,022 |
| Depreciation | 24,903 | 0 | 24,903 |
| Operating Income (Loss) | (520,802) | (7,298) | (528,100) |
| Donated Commodities | 114,731 | 0 | 114,731 |
| Operating Grants | 415,805 | 0 | 415,805 |
| Miscellaneous Revenue | 0 | 19,208 | 19,208 |
| Net Income (Loss) | (7,354) | 11,910 | 4,556 |
| Net Working Capital | 194,597 | 39,818 | 234,415 |
| Total Assets | 391,198 | 44,020 | 435,218 |
| Total Liabilities | 96,653 | 4,202 | 100,855 |
| Total Equity | 294,545 | 39,818 | 334,363 |

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual salary and the District is required to contribute 14%. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 1999, 1998, and 1997 were:

| <u>FY 99</u> | <u>FY 98</u> | <u>FY 97</u> |
|--------------|--------------|--------------|
| \$521,940 | \$485,622 | \$476,112 |

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 1999, 1998, and 1997 were:

| <u>FY 99</u> | <u>FY 98</u> | <u>FY 97</u> |
|--------------|--------------|--------------|
| \$1,714,164 | \$1,669,311 | \$1,065,096 |

C. Postemployment Benefits

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. The Health Care Reserve Fund allocation for the year ended June 30, 1999, will be 8 percent of covered payroll. For the School District, this amount equaled \$979,522 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year

1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the members' pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575, and the target level was \$139.9 million. At June 30, 1998, SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$185,661 during the 1999 fiscal year.

10. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance/retained earnings 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 and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

Reconciliation of Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses From GAAP Basis to Budgetary Basis:

| <u>Governmental Fund Types</u> | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Capital Projects Funds</u> |
|---|-------------------------|----------------------------------|-----------------------------------|
| GAAP Basis | (\$194,181) | (\$97,413) | (\$466,671) |
| Net Adjustment for Revenue Accruals | 87,416 | 1,873 | 1,129,163 |
| Net Adjustment for Expenditure Accruals | 251,571 | 133,453 | 133,175 |

| | | | |
|----------------|--------------------|-------------------|--------------------|
| Adjustment for | | | |
| Encumbrances | <u>(610,833)</u> | <u>(131,124)</u> | <u>(613,822)</u> |
| Budgetary | <u>(\$466,027)</u> | <u>(\$93,211)</u> | <u>(\$181,845)</u> |

11. COMPLIANCE AND ACCOUNTABILITY

State statute requires all funds to have expenditures and encumbrances within approved appropriation limits. All funds of the District had expenditures and encumbrances within the approved appropriations.

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. Management is unable to estimate possible claims resulting from such audits until the audits have been completed. 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.

13. RISK MANAGEMENT

The Mad River Local School 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.

14. UNCERTAINTIES

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the

State's "school foundation program", which provides a significant amount of monetary support to this District. During the fiscal year ended June 30, 1999, the district received \$12,869,556 of school foundation support for its general fund, and \$12,884,405 in total (all funds) support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operation.

15. YEAR 2000 ISSUE

The year 2000 issue is the result of the shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The District has completed an inventory of computer systems and other equipment as necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The District uses ACE software for its financial reporting, payroll and employee benefits. ACE is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

The County collects property taxes for distribution to the District. The County is responsible for remediating the tax collection system and is solely responsible for all associated costs.

There were no remaining contracted amounts committed to this project as of June 30, 1999. All compliance costs to date have been covered under current hardware and software support agreements with vendors. Additional costs for year 2000 compliance will be appropriated as required for fiscal year 1999.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, and that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

16. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

| | <u>Textbook Reserve</u> | <u>Capital Maintenance Reserve</u> | <u>Budget Stabilization Reserve</u> | <u>Total</u> |
|----------------------------|-----------------------------|--|---|------------------|
| Balance 7/1/98 | \$0 | \$0 | \$97,026 | \$97,026 |
| Required Set Asides | 300,552 | 300,552 | 150,006 | 751,110 |
| Offset Credits | (54,799) | (300,552) | 0 | (355,351) |
| Qualifying Expenditures | <u>(245,753)</u> | <u>0</u> | <u>0</u> | <u>(245,753)</u> |
| Balance 6/30/99 | <u>\$0</u> | <u>\$0</u> | <u>\$247,032</u> | <u>\$247,032</u> |

Expenditures for capital activity during the year were \$1,098,919, which exceeded the required set aside and the reserve balance.



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

December 10, 1999

Board of Education
Mad River Local School District

We have audited the general purpose financial statements of the Mad River Local School District, (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated December 10, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Certified Public Accountants



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

December 10, 1999

Board of Education
Mad River Local School District

Compliance

We have audited the compliance of 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 its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results portion of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

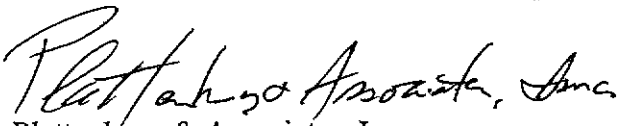
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over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

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

Schedule of Federal Awards Expenditures

We have audited the general purpose financial statements of the District as of and for the year ended June 30, 1999, and have issued our report thereon dated December 10, 1999. Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the District taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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


Plattenburg & Associates, Inc.
Certified Public Accountants

MAD RIVER LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED June 30, 1999

| Federal Grant/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|----------------------------------|---------------------------|--------------------|----------------------|--------------------|---------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| Passed Through Ohio Department of Education: | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution Program | NN-NI | 10.550 | \$0 | \$114,824 | \$0 | \$114,824 |
| National School Breakfast Program | 05-PU | 10.553 | 32,321 | 0 | 32,321 | 0 |
| National School Lunch Program | 04-PU | 10.555 | 341,293 | 0 | 326,058 | 0 |
| National Summer Lunch Program | 23-ML | 10.559 | 13,484 | 0 | 13,484 | 0 |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | <u>387,098</u> | <u>114,824</u> | <u>371,863</u> | <u>114,824</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| Passed Through Ohio Department of Education: | | | | | | |
| Special Education Cluster: | | | | | | |
| Title VI - B Grant | 6B-SF | 84.027 | 158,443 | 0 | 107,747 | 0 |
| Preschool Grant | PG-S1 | 84.173 | 15,210 | 0 | 15,210 | 0 |
| Total Special Education Cluster | | | <u>173,653</u> | <u>0</u> | <u>122,957</u> | <u>0</u> |
| Title I Grant | C1-S1 | 84.010 | 359,187 | 0 | 398,943 | 0 |
| Vocational Education Grant | 20-C1 | 84.048 | 40,857 | 0 | 60,899 | 0 |
| Title IV | C2-S1 | 84.298 | 17,807 | 0 | 17,847 | 0 |
| Drug Free Schools Grant | DR-S1 | 84.186 | 12,891 | 0 | 21,334 | 0 |
| Goals 2000 | G2-S4 | 84.276 | 16,500 | 0 | 6,627 | 0 |
| Total Department of Education | | | <u>620,895</u> | <u>0</u> | <u>628,607</u> | <u>0</u> |
| DIRECT PROGRAMS | | | | | | |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| Impact Aid Grant | n/a | 84.041 | 1,350,489 | - | 1,350,489 | - |
| Total Department of Education - Direct | | | <u>1,350,489</u> | <u>-</u> | <u>1,350,489</u> | <u>-</u> |
| Total Federal Assistance | | | <u>\$2,358,482</u> | <u>\$114,824</u> | <u>\$2,350,959</u> | <u>\$114,824</u> |

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

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

MAD RIVER LOCAL SCHOOL DISTRICT

June 30, 1999

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None Noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted

MAD RIVER LOCAL SCHOOL DISTRICT
JUNE 30, 1999

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

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



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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800-282-0370
Facsimile 614-466-4490

MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By: Susan Babbitt
Clerk of the Bureau

Date: JAN 20 2000