

MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004





**Auditor of State  
Betty Montgomery**

Board of Education  
Mississinawa Valley Local School District  
1469 St. Rt. 47  
Union City, Ohio 45390

We have reviewed the *Independent Accountants' Report* of the Mississinawa Valley Local School District, Darke County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period July 1, 2003 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

June 6, 2006

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MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY

TITLE	TABLE OF CONTENTS	PAGE
Independent Accountants' Report		1 - 2
Management's Discussion and Analysis - For the Fiscal Year Ended June 30, 2005		3 - 9
<b>Basic Financial Statements For the Fiscal Year Ended June 30, 2005:</b>		
<b>Government-wide Financial Statements for the Fiscal Year Ended June 30, 2005:</b>		
Statement of Net Assets - Modified Cash Basis		11
Statement of Activities - Modified Cash Basis		12
<b>Fund Financial Statements for the Fiscal Year Ended June 30, 2005:</b>		
Statement of Assets and Fund Balances - Modified Cash Basis - Governmental Funds		13
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis - Governmental Funds		14
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance Budget and Actual (Budget Basis) - General Fund		15
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance Budget and Actual (Budget Basis) - Classroom Maintenance Fund		16
Statement of Fund Net Assets - Modified Cash Basis - Proprietary Funds		17
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Modified Cash Basis - Proprietary Funds		18
Statement of Fiduciary Net Assets - Modified Cash Basis - Fiduciary Funds		19
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis - Fiduciary Fund		20
Notes to the Basic Financial Statements - For the Fiscal Year Ended June 30, 2005		22 - 42
Management's Discussion and Analysis - For the Fiscal Year Ended June 30, 2004		46 - 52
<b>Basic Financial Statements For the Fiscal Year Ended June 30, 2004:</b>		
<b>Government-wide Financial Statements for the Fiscal Year Ended June 30, 2004:</b>		
Statement of Net Assets - Modified Cash Basis		54
Statement of Activities - Modified Cash Basis		55

MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY

TITLE	TABLE OF CONTENTS (continued)	PAGE
<b>Fund Financial Statements for the Fiscal Year Ended June 30, 2004:</b>		
Statement of Assets and Fund Balances - Modified Cash Basis - Governmental Funds		56
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis - Governmental Funds		57
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) - General Fund		58
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) - Classroom Maintenance Fund		59
Statement of Fund Net Assets - Modified Cash Basis - Proprietary Funds		60
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Modified Cash Basis - Proprietary Funds		61
Statement of Fiduciary Net Assets - Modified Cash Basis - Fiduciary Funds		62
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis Fiduciary Fund		63
Notes to the Basic Financial Statements - For the Fiscal Year Ended June 30, 2004		65 - 86
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and other Matters Required by <i>Government Auditing Standards</i>		87 - 88
Schedule of Findings		89

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VANDERHORST & MANNING CPAs, LLC  
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P.O. BOX 13449  
DAYTON, OHIO 45413-0449

## INDEPENDENT ACCOUNTANTS' REPORT

Mississinawa Valley Local School District  
Darke County  
1469 State Route 47  
Union City, Ohio 45390

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mississinawa Valley Local School District, Darke County, (the District), as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code §117-2-03 (b) requires the District to prepare its annual financial reports in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mississinawa Valley Local School District, Darke County, as of June 30, 2005 and 2004, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund and Classroom Maintenance fund, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2004, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

As described in Note 16, during the year ended June 30, 2004, the School District changed its method of accounting for financial reporting.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Vanderhorst & Manning CPAs, LLC

February 24, 2006

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The discussion and analysis of the Mississinawa Valley School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities decreased \$51,761, total net assets were \$853,356
- General receipts accounted for \$5,322,646 in receipts or 80% of all receipts. Program specific cash receipts in the form of charges for services, grants and contributions accounted for \$1,255,978 or 20% of total receipts of \$6,583,763.
- The School District had \$6,629,004 in total disbursements, of which \$6,355,706 were in governmental activities.

**Using this Annual Financial Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

**A. Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

**Using this Annual Financial Report (continued)**

**B. Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the School District as a Whole**

**Statement of Net Assets and Statement of Activities – Modified Cash Basis**

The statement of net assets and the statements of activities reflect how the School District did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, the condition of the School District's capital assets and infrastructure, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two kinds of activities.

Governmental Activities – Most of the District's services are reported here including instruction, support services, debt service and capital outlay.

Business-Type Activities – These services include food service and uniform school supplies. Service fees for these operations are charged based upon amount of usage.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

**The District as a Whole**

Table 1 provides a summary of the School District's net assets for 2005 and 2004. The comparative analysis is minimal because this is the first year for government-wide financial statements using the cash basis of accounting. Additional analysis will be provided in future years when prior year information is available.

**Table 1  
Net Assets - Cash Basis**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2,004</b>	<b>2005</b>	<b>2,004</b>
<b>Assets</b>						
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 701,893	\$ 753,654	\$ 151,463	\$ 144,943	\$ 853,356	\$ 898,597
Total Assets	<u>701,893</u>	<u>753,654</u>	<u>151,463</u>	<u>144,943</u>	<u>853,356</u>	<u>898,597</u>
<b>Net Assets</b>						
Restricted for:						
Other Purposes	404,411	382,994	0	0	404,411	382,994
Debt Service	98,212	75,005	0	0	98,212	75,005
Capital Outlay	111,249	90,448	0	0	111,249	90,448
Unrestricted	<u>88,021</u>	<u>205,207</u>	<u>151,463</u>	<u>144,943</u>	<u>239,484</u>	<u>350,150</u>
Total Net Assets	<u>\$ 701,893</u>	<u>\$ 753,654</u>	<u>\$ 151,463</u>	<u>\$ 144,943</u>	<u>\$ 853,356</u>	<u>\$ 898,597</u>

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

Table 2 shows the changes in net assets for the fiscal years 2005 and 2004.

Table 2  
Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
<b>Receipts</b>				
<i>Program Receipts:</i>				
Charges for Services	\$ 351,839	\$ 346,730	\$ 176,724	\$ 177,084
Operating Grants,	620,660	597,215	97,955	107,645
Capital Grants and Contributions	8,800	138,483	0	
<i>General Receipts:</i>				
Property Taxes	1,642,597	1,657,328	0	0
Grants and Entitlements	3,638,702	3,419,611	0	0
Investment Earnings	20,143	17,288	225	112
Proceeds sale of Notes	0	218,901	0	0
Other	21,204	39,850	4,914	4,364
<b>Total Receipts</b>	<b>6,303,945</b>	<b>6,435,406</b>	<b>279,818</b>	<b>289,205</b>
<i>Program Disbursements</i>				
Instruction	3,515,292	3,398,871	0	0
Support Services	2,390,101	2,332,726	0	0
Facilities Acquisition and Construction	0	431,412	0	0
Extracurricular Activities	220,192	211,969	0	0
Capital Outlay	0	218,901	0	0
Debt Service				
Principal	137,737	154,007	0	0
Interest	92,384	97,901	0	0
Food Service	0	0	237,528	235,639
Uniform Supplies	0	0	35,770	22,895
<b>Total Disbursements</b>	<b>6,355,706</b>	<b>6,845,787</b>	<b>273,298</b>	<b>258,534</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (51,761)</b>	<b>\$ (410,381)</b>	<b>\$ 6,520</b>	<b>\$ 30,671</b>

**Governmental Activities**

The largest source of receipts for governmental activities are unrestricted grants and entitlements which accounted for about 57 percent of the total cash received during the year. Property and income taxes accounted for an additional 26 percent of receipts

Instruction accounted for approximately 55 percent of total cash disbursements for fiscal year 2005, with Regular Instruction making up the largest share at about 36 percent of total disbursements. Pupil and Instructional Staff support services accounted for about 12 percent of total disbursements. Board of Education, Administration, Business and Fiscal disbursements accounted for another 12 percent of disbursements. Operation and maintenance of plant disbursements were about 9 percent of total disbursements. Transportation accounted for about 5 percent of total disbursements and extracurricular activities accounted for about 3.5 percent of total disbursements.

**Business-Type Activities**

Net assets for business-type activities increased by \$6,520 during fiscal year 2005. Charges for services were the largest source of receipts, accounting for about 63 percent of total business-type activities receipts. Operating grants and contributions accounted for another 35 percent of receipts.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u> <u>2005</u>	<u>Net Cost of Services</u> <u>2005</u>	<u>Total Cost of Services</u> <u>2004</u>	<u>Net Cost of Services</u> <u>2004</u>
<b>Program Disbursements</b>				
Instruction:				
Regular	\$ 2,292,945	\$ 2,062,793	\$ 2,225,376	\$ 1,974,310
Special	776,475	533,681	777,162	555,999
Vocational	145,621	118,747	138,690	108,979
Other	300,251	398,826	257,643	257,643
Support Services				
Pupils	323,517	130,484	257,874	121,600
Instructional Staff	413,527	322,594	399,545	296,236
Board of Education	10,583	10,583	11,231	11,231
Administration	553,097	511,949	552,872	512,101
Fiscal	178,467	141,295	190,133	132,436
Business	6,896	6,896	602	602
Operation and Maintenance of Plant	566,306	566,133	659,160	658,861
Pupil Transportation	321,318	305,361	248,305	211,160
Central	16,390	16,390	13,004	13,004
Extracurricular Activities	220,192	118,554	211,969	136,856
Capital Outlay	0	0	218,901	218,901
Facilities Acquisition and Construction	0	0	431,412	301,532
Debt Service	230,121	230,121	251,908	251,908
Total Disbursements	<u>\$ 6,355,706</u>	<u>\$ 5,474,407</u>	<u>\$ 6,845,787</u>	<u>\$ 5,763,359</u>

Charges for services and operating grants of about 16 percent of total cash receipts were received and used to fund the expenses of the District. The remaining 84 percent of cash receipts were from taxes unrestricted State entitlements, investment earnings, and miscellaneous receipts. The District's dependence upon tax revenues and state subsidies for governmental activities is apparent.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transaction. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Classroom Maintenance, Bond Retirement, and Permanent Improvement Funds.

**Governmental Funds**

Most of the School 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 fiscal year end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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.

**Fiduciary Funds**

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

**Proprietary Funds**

When the District charges users for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. The enterprise funds are reported as business-typed activities on the entity-wide statement of net assets and statement of activities. The District has two enterprise funds – the food service fund and uniform supplies fund.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**The School District Funds**

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$6,303,945 and disbursements of \$6,355,706. The General Fund had a decrease in fund balance of \$85,540 due to wage and benefit increases.

The District's enterprise funds had an operating loss of \$91,660 for fiscal year 2005. However, due to the federal and state subsidies, the enterprise funds had an increase in net assets of \$6,520 for fiscal year 2005.

**General Fund Budgeting Highlights**

The School 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 year 2005, the District amended its General Fund budget as needed. Final disbursements were budgeted at \$5,536,137, while actual disbursements were \$5,528,864, including encumbrances.

**Debt Administration**

At June 30, 2005, the District had \$1,662,827 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. The District also had a National School Fitness Foundation note outstanding in the amount of \$81,427. This note is being paid from the General Fund. For further information on the District's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

The Board will be closely monitoring expenditures to bring them in line with estimated revenues. Pupil teacher ratios and class sizes will be closely monitored during fiscal year 2006. The result of this analysis will help determine whether to replace retiring certified staff at the end of the 2006 fiscal year as well as in future fiscal years.

The administration will place an additional income tax levy on the ballot in May, since the November general election tax levy was defeated.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Carolyn Garver, Treasurer at Mississinawa Valley School District, 1469 State Route 47, Union City, Ohio 45390.

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**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 693,145	\$ 151,463	\$ 844,608
Cash and Cash Equivalents with Fiscal Agents	<u>8,748</u>	<u>0</u>	<u>8,748</u>
 Total Assets	 <u>\$ 701,893</u>	 <u>\$ 151,463</u>	 <u>\$ 853,356</u>
 <b>Net Assets</b>			
Restricted for:			
Debt Service	\$ 98,212	\$ 0	\$ 98,212
Capital Outlay	111,249	0	111,249
Other Purposes	404,411	0	404,411
Unrestricted	<u>88,021</u>	<u>151,463</u>	<u>239,484</u>
 Total Net Assets	 <u>\$ 701,893</u>	 <u>\$ 151,463</u>	 <u>\$ 853,356</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Programs Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash	Charges	Operating	Capital	Governmental	Business-Type	Total
	Disbursements	for	Grants and	Grants and			
<b>Governmental Activities</b>							
Instruction:							
Regular	\$ 2,292,945	\$ 141,103	\$ 89,049	\$ 0	\$ (2,062,793)	\$ 0	\$ (2,062,793)
Special	776,475	29,011	213,783	0	(533,681)	0	(533,681)
Vocational	145,621	733	26,141	0	(118,747)	0	(118,747)
Other	300,251	1,425	0	0	(298,826)	0	(298,826)
Support Services:							
Pupils	323,517	0	193,033	0	(130,484)	0	(130,484)
Instructional Staff	413,527	0	90,933	0	(322,594)	0	(322,594)
Board of Education	10,583	0	0	0	(10,583)	0	(10,583)
Administration	553,097	35,485	5,663	0	(511,949)	0	(511,949)
Fiscal	178,467	36,315	857	0	(141,295)	0	(141,295)
Business	6,896	0	0	0	(6,896)	0	(6,896)
Operation and Maintenance of Plant	566,306	6,129	173	0	(560,004)	0	(560,004)
Pupil Transportation	321,318	0	1,028	8,800	(311,490)	0	(311,490)
Central	16,390	0	0	0	(16,390)	0	(16,390)
Extracurricular Activities	220,192	101,638	0	0	(118,554)	0	(118,554)
Debt Services:							
Principal	137,737	0	0	0	(137,737)	0	(137,737)
Interest	92,384	0	0	0	(92,384)	0	(92,384)
<b>Total Government Activities</b>	<b>6,355,706</b>	<b>351,839</b>	<b>620,660</b>	<b>8,800</b>	<b>(5,374,407)</b>	<b>0</b>	<b>(5,374,407)</b>
<b>Business Type Activities</b>							
Lunchroom	237,528	142,600	97,955	0	0	3,027	3,027
Uniform Supplies	35,770	34,124	0	0	0	(1,646)	(1,646)
<b>Total Business Type Activities</b>	<b>273,298</b>	<b>176,724</b>	<b>97,955</b>	<b>0</b>	<b>0</b>	<b>1,381</b>	<b>1,381</b>
<b>Totals</b>	<b>\$ 6,629,004</b>	<b>\$ 528,563</b>	<b>\$ 718,615</b>	<b>\$ 8,800</b>	<b>\$ (5,374,407)</b>	<b>\$ 1,381</b>	<b>\$ (5,373,026)</b>
<b>General Receipts</b>							
Property Taxes Levied for:							
General Purposes					938,679	0	938,679
Debt Service					159,203	0	159,203
Capital Outlay					63,706	0	63,706
Classroom Maintenance					22,487	0	22,487
Income Tax					458,522	0	458,522
Grants and Entitlements not Restricted to Specific Programs					3,638,702	0	3,638,702
Investment Earnings					20,143	225	20,368
Miscellaneous					21,204	4,914	26,118
<b>Total General Receipts</b>					<b>5,322,646</b>	<b>5,139</b>	<b>5,327,785</b>
Changes in Net Assets					(51,761)	6,520	(45,241)
Net Assets Beginning of Year					753,654	144,943	898,597
Net Assets End of Year					<b>701,893</b>	<b>151,463</b>	<b>853,356</b>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<b>General</b>	<b>Classroom Maintenance</b>	<b>Bond Retirement</b>	<b>Permanent Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 88,021	\$ 88,068	\$ 98,212	\$ 99,610	\$ 161,607	\$ 535,518
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0	8,748	8,748
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	157,627	0	0	0	0	157,627
<b>Total Assets</b>	<b>\$ 245,648</b>	<b>\$ 88,068</b>	<b>\$ 98,212</b>	<b>\$ 99,610</b>	<b>\$ 170,355</b>	<b>\$ 701,893</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	\$ 146,491	\$ 2,926	\$ 0	\$ 5,681	\$ 26,707	\$ 181,805
Reserved for Textbooks and Instructional Materials	141,213	0	0	0	0	141,213
Reserved for Capital Improvements	800	0	0	0	0	800
Reserved for Budget Stabilization	15,614	0	0	0	0	15,614
Unreserved, Undesignated (Deficit), Reported in:						
General Fund	(58,470)	0	0	0	0	(58,470)
Special Revenue Funds	0	85,142	0	0	132,009	217,151
Debt Service	0	0	98,212	0	0	98,212
Capital Projects Fund	0	0	0	93,929	11,639	105,568
<b>Total Fund Balances</b>	<b>\$ 245,648</b>	<b>\$ 88,068</b>	<b>\$ 98,212</b>	<b>\$ 99,610</b>	<b>\$ 170,355</b>	<b>\$ 701,893</b>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Classroom Maintenance</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>						
Property Taxes	\$ 938,679	\$ 22,487	\$ 159,203	\$ 63,706	\$ 0	\$ 1,184,075
Income Taxes	458,522	0	0	0	0	458,522
Intergovernmental	3,640,430	2,961	21,082	8,559	592,630	4,265,662
Investment Earnings	19,905	0	0	0	238	20,143
Tuition and Fees	165,160	0	0	0	0	165,160
Rent	6,320	0	0	0	0	6,320
Gifts and Donations	18	0	0	0	2,500	2,518
Extracurricular Activities	0	0	0	0	134,196	134,196
Miscellaneous	53,050	0	0	0	0	53,050
<b>Total Cash Receipts</b>	<u>5,282,084</u>	<u>25,448</u>	<u>180,285</u>	<u>72,265</u>	<u>729,564</u>	<u>6,289,646</u>
<b>Disbursements</b>						
Current:						
Instruction:						
Regular	2,194,305	0	0	0	98,640	2,292,945
Special	560,422	0	0	0	216,053	776,475
Vocational	137,658	0	0	6,766	1,197	145,621
Other	300,251	0	0	0	0	300,251
Support Services:						
Pupils	143,985	0	0	0	179,532	323,517
Instructional Staff	297,337	0	0	0	116,190	413,527
Board of Education	10,583	0	0	0	0	10,583
Administration	510,244	0	0	0	42,853	553,097
Fiscal	172,523	486	3,438	1,397	623	178,467
Business	6,896	0	0	0	0	6,896
Operation and Maintenance of Plant	509,084	13,247	0	42,821	1,154	566,306
Pupil Transportation	319,939	0	0	133	1,246	321,318
Central	16,390	0	0	0	0	16,390
Extracurricular Activities	125,825	0	0	0	94,367	220,192
Debt Service:						
Principal	72,737	0	65,000	0	0	137,737
Interest	3,744	0	88,640	0	0	92,384
<b>Total Cash Disbursements</b>	<u>5,381,923</u>	<u>13,733</u>	<u>157,078</u>	<u>51,117</u>	<u>751,855</u>	<u>6,355,706</u>
Excess of Receipts Over/(Under)						
Disbursements	(99,839)	11,715	23,207	21,148	(22,291)	(66,060)
<b>Other Financing Sources</b>						
Proceeds from Sale of Assets	10,229	0	0	0	0	10,229
Advances Out	(450)	0	0	0	0	(450)
Advances In	0	0	0	0	450	450
Refund of Prior Year Expenditures	4,070	0	0	0	0	4,070
<b>Total Other Financing Sources (Uses)</b>	<u>13,849</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>450</u>	<u>14,299</u>
<b>Net Change in Fund Balances</b>	<u>(85,990)</u>	<u>11,715</u>	<u>23,207</u>	<u>21,148</u>	<u>(21,841)</u>	<u>(51,761)</u>
Fund Balances Beginning of Year	331,638	76,353	75,005	78,462	192,196	753,654
<b>Fund Balances End of Year</b>	<u>\$ 245,648</u>	<u>\$ 88,068</u>	<u>\$ 98,212</u>	<u>\$ 99,610</u>	<u>170,355</u>	<u>701,893</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE  
IN FUND CASH BALANCE BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts:</b>				
Property Taxes	\$ 963,808	\$ 938,679	\$ 938,679	\$ 0
Income Taxes	466,379	458,522	458,522	0
Intergovernmental	3,684,516	3,640,430	3,640,430	0
Tuition and Fees	167,990	165,160	165,160	0
Interest	19,541	19,212	19,905	693
Rent	6,428	6,320	6,320	0
Gifts and Donations	18	18	18	0
Miscellaneous	62,464	53,050	53,050	0
Total Receipts	5,371,144	5,281,391	5,282,084	693
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	2,242,145	2,222,887	2,216,991	5,896
Special	589,281	563,295	563,286	9
Vocational	149,316	137,802	137,792	10
Other	270,153	313,389	313,389	0
Support Services:				
Pupil	156,979	147,888	147,879	9
Instructional Staff	334,384	309,838	309,824	14
Board of Education	12,915	10,730	10,725	5
Administration	527,458	515,064	514,751	313
Fiscal	181,437	173,634	173,628	6
Business	6,899	6,896	6,896	0
Operation and Maintenance of Plant	568,067	527,972	526,966	1,006
Pupil Transportation	400,564	386,303	386,300	3
Central	15,689	17,190	17,190	0
Extracurricular Activities	141,315	126,318	126,316	2
Capital Outlay	40,000	0	0	0
Debt Service:				
Principal Retirement	72,737	72,737	72,737	0
Interest and Fiscal Charges	3,744	3,744	3,744	0
Total Disbursements	5,713,083	5,535,687	5,528,414	7,273
Exces of Receipts under Disbursements	(341,939)	(254,296)	(246,330)	7,966
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets	10,229	10,229	10,229	0
Refund of Prior Year Expenditures	4,798	4,070	4,070	0
Advances Out	(450)	(450)	(450)	0
Total Other Financing Sources	14,577	13,849	13,849	0
Net Change in Fund Balances	(327,362)	(240,447)	(232,481)	7,966
Fund Balances Beginning of Year	204,916	204,916	204,916	0
Prior Year Encumbrances Appropriated	126,722	126,722	126,722	0
Fund Balances End of Year	\$ 4,276	\$ 91,191	\$ 99,157	\$ 7,966

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE  
IN FUND CASH BALANCE BUDGET AND ACTUAL - BUDGET BASIS  
CLASSROOM MAINTENANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property Taxes	\$ 22,277	\$ 22,487	\$ 22,487	\$ 0
Intergovernmental	2,793	2,625	2,961	336
Total Receipts	<u>25,070</u>	<u>25,112</u>	<u>25,448</u>	<u>336</u>
<b>Disbursements:</b>				
Current:				
Support Services:				
Fiscal	526	488	486	2
Operation and Maintenance of Plant	38,128	16,175	16,173	2
Total Disbursements	<u>38,654</u>	<u>16,663</u>	<u>16,659</u>	<u>4</u>
Exces of Receipts under Disbursements	(13,584)	8,449	8,789	340
Fund Balances Beginning of Year	72,725	72,725	72,725	0
Prior Year Encumbrances Appropriated	<u>3,628</u>	<u>3,628</u>	<u>3,628</u>	<u>0</u>
Fund Balances End of Year	<u>\$ 62,769</u>	<u>\$ 84,802</u>	<u>\$ 85,142</u>	<u>\$ 340</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 20005**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Food Service</b>	<b>All Other Enterprise Funds</b>	<b>Total</b>
<b>Current Assets</b>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ <u>125,262</u>	\$ <u>26,201</u>	\$ <u>151,463</u>
 <b>Net Assets</b>			
Unrestricted	\$ <u>125,262</u>	\$ <u>26,201</u>	\$ <u>151,463</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>Business-Type Activities</b>		
	<b>Enterprise</b>		
	<b>Food Service</b>	<b>All Other Enterprise Funds</b>	<b>Total</b>
<b>Operating Receipts</b>			
Charges for Services	\$ 142,600	\$ 34,124	\$ 176,724
Other Revenues	4,914	0	4,914
	<u>147,514</u>	<u>34,124</u>	<u>181,638</u>
<b>Operating Disbursements</b>			
Salaries	108,831	0	108,831
Fringe Benefits	37,323	0	37,323
Purchased Services	2,293	0	2,293
Material and Supplies	79,876	35,770	115,646
Other	9,205	0	9,205
	<u>237,528</u>	<u>35,770</u>	<u>273,298</u>
Total Operating Expenses	<u>237,528</u>	<u>35,770</u>	<u>273,298</u>
Operating Loss	<u>(90,014)</u>	<u>(1,646)</u>	<u>(91,660)</u>
<b>Non-Operating Revenues</b>			
Interest	225	0	225
Federal and State Subsidies	97,955	0	97,955
	<u>98,180</u>	<u>0</u>	<u>98,180</u>
Total Non-Operating Receipts	<u>98,180</u>	<u>0</u>	<u>98,180</u>
Change in Net Assets	8,166	(1,646)	6,520
Net Assets Beginning of Year	<u>117,096</u>	<u>27,847</u>	<u>144,943</u>
Net Assets End of Year	<u>\$ 125,262</u>	<u>\$ 26,201</u>	<u>\$ 151,463</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 20005**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 3,302	\$ 32,065
Investments in Segregated Accounts	<u>386,163</u>	<u>0</u>
Total Assets	<u>\$ 389,465</u>	<u>\$ 32,065</u>
 <b>Net Assets</b>		
Held in Trust for Scholarships	\$ 389,465	0
Restricted for Students	<u>0</u>	<u>32,065</u>
	<u>\$ 389,465</u>	<u>\$ 32,065</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$ 12,837
<b>Deductions</b>	
Scholarships	<u>10,725</u>
Changes in Net Assets	2,112
Net Assets Beginning of Year	<u>387,353</u>
Net Assets End of Year	<u><u>\$ 389,465</u></u>

See accompanying notes to the Basic Financial Statements.

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Mississinawa Valley Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Mississinawa Valley Local School, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable, or for which the School District is not financially accountable but the nature and significance of the School District's relationship with the separate organization is such that it is required to be presented as a component unit. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. Mississinawa Valley Local School District has no component units.

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 12 and 13 to the basic financial statements. These organizations are:

**Jointly Governed Organizations:**

Metropolitan Dayton Educational Cooperative Association  
Southwestern Ohio Educational Purchasing Council  
Southwestern Ohio Instructional Technology Association

**Insurance Purchasing Pool:**

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group  
Rating Plan

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting. The modified cash basis of accounting differs from accounting principles generally used in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which, have been applied to the extent they are applicable to the modified cash basis of accounting. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of a government-wide statement of net assets and statement of activities, and fund financial statements providing more detailed financial information.

**Government-wide Financial Statement of Net Assets and Statement of Activities**

These statements display information about the School District as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities.

**Government-wide Financial Statement of Net Assets and Statement of Activities**

The government-wide statement of activities compares disbursements with program receipts for each segment of the District's business-type activities and for each function or program of the School District's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified-cash basis or draws from the School District's general receipts.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions directly relating to the funds' principal services, such as for services. Operating disbursements include costs of sales and services and administrative cost. The fund statements report all other receipts and disbursements as nonoperating.

**Fund Financial Statements**

Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Fund Accounting**

The School District uses funds and account groups to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental, proprietary or fiduciary.

**1. Governmental Fund Types**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

**Classroom Maintenance Fund** – The Classroom Maintenance Fund is used to account for the proceeds of a levy that are to be used for the maintenance of facilities.

**Bond Retirement Fund** – The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt obligation principal, interest, and related costs.

**Permanent Improvement Fund** – The Permanent Improvement Fund accounts for the acquisition, construction, or improving of capital improvements.

**2. Proprietary Fund Type**

Certain District funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The District classifies these as enterprise funds.

The School District's only major enterprise fund is the Food Service Fund, which accounts for the District's food service activities. The District's other enterprise fund accounts for uniform school supplies.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Fund Accounting (continued)**

**2. Fiduciary Fund Types**

Fiduciary Funds account for cash and investments where the School District in acting as trustee or fiscal agent for other entities or individuals. Fiduciary Funds include private-purpose trust funds and agency funds. Trust funds 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 School District's own programs.

The following are the School District's fiduciary funds:

The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature, where the District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for various student managed activities.

**B. Basis of Accounting**

The School District's financial statements are prepared on using the modified cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments assets, valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at time of sale are recorded as receipts or negative receipts, respectively.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expense (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements 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/function level for the general fund, bond retirement debt service fund, classroom facilities special revenue fund and permanent improvement capital project fund, and at the fund level for all remaining funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment 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 fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**D. Cash, Cash Equivalents and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the financial statements.

The balance of the grant activity administered by the fiscal agent is presented on the Statement of Net Assets as "Cash and Cash Equivalents with Fiscal Agent" and represents deposits of the Darke County Educational Service Center.

The District values investments and cash equivalents at cost. For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash, Cash Equivalents and Investments (continued)**

The School District invested in certificate of deposits and Federal Mortgage Notes during fiscal year 2005. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at time of sale are recorded as receipts or negative receipts, respectively.

Following Ohio statues, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 was \$20,143, including \$15,581 assigned from other School District funds.

**E. Restricted Assets**

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation is the source of the restrictions. Restricted cash and investments in the General Fund include amounts required to be spent on bus purchase and amounts State statute requires to be set aside for textbooks and instructional materials, and to create a budget reserve. See Note 14 for additional information regarding set-asides.

**F. Inventory**

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**G. Prepaid Items**

On the modified cash-basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as disbursements when made.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**I. Interfund Receivables/Payables**

On the fund financial statements, outstanding Interfund loans are reported as "Interfund Receivables/Payables." Interfund balances are eliminated on the government-wide statement of net assets except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances."

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified-cash basis of accounting.

**K. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**L. Fund Balance Designations and Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances, school bus purchase and textbooks and instructional materials. The reserve for school bus purchases represents money required to be spent on bus purchases and the reserve for textbooks and instructional materials represents money required to be set-aside by state Statute to purchase textbooks and instructional materials.

**M. Net Assets**

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net assets restricted for other purposes include resources restricted for food services operations, athletic programs, and federal and state grants restricted to cash disbursement for specific purposes. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Permanent nonexchange flows of cash from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Interim monies may be deposited or invested 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 any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan bank, Federal Farm Credit bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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. Bond 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).
7. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**3. DEPOSITS AND INVESTMENTS (continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the School District had \$90, in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

At June 30, 2005, the School District had "Cash and Cash Equivalents with Fiscal Agents" of \$8,748. The money is held by the Darke County Education Service Center, which is the fiscal agent for several school districts. The classification for the Darke County Educational Service Center as a whole can be obtained by writing Emiko Augsburg, who serves as Treasurer, at 5279 Education Drive, Greenville, Ohio 45331.

The following information discloses the risks associated with the Educational Service Center's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

**A. Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party of the financial institution.

As of June 30, 2005, the carrying amount of the School District's deposits were \$684,667. Cash balances per the bank were \$780,293. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$385,293 of the School District's bank balance was exposed to custodial credit risk in that it was uninsured and uncollateralized. Although, the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**3. DEPOSITS AND INVESTMENTS (continued)**

**B. Investments**

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

<u>Investment</u>	<u>Maturities</u>	<u>Carrying Value</u>
Federal National Mortgage Association Discount Note	8/19/05	\$195,218
Federal Home Loan Mortgage Corporation Note	10/26/07 *	386,163
Total		<u>\$581,381</u>

\*These bonds mature 10/26/07 but are callable 10/26/05

**Interest Rate Risk:** State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the School District. The School District does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk:** State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District's investments in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation were rated AAA by Moody's Investors Service and AAA by Standard & Poor's at June 30, 2005.

**Concentration of Credit Risk:** The School District places no limit on the amount it may invest in any one issuer. 66% of the District's investments at June 30, 2005, were in the Federal Home Loan Mortgage Corporation and 34% were in the Federal National Mortgage Association.

**4. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July thorough June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed valued listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**4. PROPERTY TAXES (continued)**

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Darke County. 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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2005 was \$126,990 in the General Fund, \$3,060 in the Classroom Maintenance Fund, \$19,092 in the Bond Retirement Fund and \$8,610 in the Permanent Improvement Fund.

The assessed valued upon which fiscal year 2005 taxes were collected are:

	2004 Second-Half Collections		2005 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,194,930	91.71%	\$46,557,560	92.85%
Public Utility Personal	1,886,990	3.75	2,173,140	4.34
Tangible Personal Property	2,289,910	4.54	1,410,060	2.81
<b>Total</b>	<b>\$50,371,830</b>	<b>100.00%</b>	<b>\$50,140,760</b>	<b>100.00%</b>

Tax Rate per \$1,000 of Assessed Valuation	\$35.04	\$34.60
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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**5. INCOME TAX**

The School District levies a voted tax of one percent on general operations on the income of residents and of estates. The first 0.50 percent tax was effective on January 1, 1990, while the second 0.50 percent tax was effective on January 1, 2000, and both are continuing taxes. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2005 were \$458,522.

**6. INTERFUND BALANCES**

At June 30, 2005, the General Fund had an interfund advance out to the non-major funds had an interfund advance in of \$450, due to the timing of the receipt of grants.

**7. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the modified cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Change in Fund Balance – Budget and Actual (Budget Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and modified cash basis is outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (modified cash).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statement for the:

<b>General Fund</b>	
<b>Net Change in Fund Balance</b>	
Modified Cash Basis	\$ (85,990)
Adjustment for Encumbrances	(146,491)
Budget Basis	<u>\$ (232,481)</u>

<b>Classroom Maintenance Fund</b>	
<b>Net Change in Fund Balance</b>	
Modified Cash Basis	\$ 11,715
Adjustment for Encumbrances	(2,926)
Budget Basis	<u>\$ 8,789</u>

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**8. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2005, the School District contracted with Mangas Insurance for property and fleet, general liability, boiler and machinery, crime, and inland marine insurance.

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$2,500 deductible)	\$19,360,000
Inland Marine Coverage (\$100 deductible)	174,372
Boiler and Machinery (\$500 deductible)	No Limit
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	300,000
General Liability	
Per occurrence	500,000
Total per year	1,500,000
Umbrella Liability	10,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

**B. Workers' Compensation**

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**9. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$96,889, \$90,277, and \$77,051 respectively; 43 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**9. DEFINED BENEFIT PENSION PLANS (continued)**

**B. State Teachers Retirement System of Ohio (continued)**

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2004. 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 School district's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$354,447, \$337,382 and \$327,914 respectively; 83.39 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$4,060 made by the School District and \$8,368 made by the plan members.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**9. DEFINED BENEFIT PENSION PLANS (continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School employees Retirement System. As of June 30, 2005, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board members contribute to SERS.

**10. POSTEMPLOYMENT BENEFITS**

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

All retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund, For the School District, this amount equaled \$27,265 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$48,195.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**10. POSTEMPLOYMENT BENEFITS**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, (the latest information available) were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**11. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	<u>Principal Outstanding 06/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/2005</u>
National School Fitness Foundation Note 2004 3.027%	\$ 154,164	\$ 0	\$ 72,737	\$ 81,427
Classroom Facilities Bonds 2000 4.80 – 6.00%	<u>1,715,569</u>	<u>12,258</u>	<u>65,000</u>	<u>1,662,827</u>
Total General Long-Term Obligations	<u>\$ 1,869,733</u>	<u>\$ 12,258</u>	<u>\$ 137,737</u>	<u>\$ 1,744,254</u>

**National School Fitness Foundation Notes** – On August 28, 2003, Mississinawa Valley School District issued a promissory note to the Old National Bank for a loan received in the amount of \$218,901. The loan was issued for the purpose of acquiring various fitness equipment, operational equipment, fitness program, signage, office supplies and forms for the School District's fitness center. The loan is payable in 36 monthly installments of \$6,373 with final maturity on July 28, 2006. It is being paid from the general fund.

National School Fitness Foundation Note			
Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 75,051	\$ 1,429	\$ 76,480
2007	<u>6,376</u>	<u>16</u>	<u>6,392</u>
Total	<u>\$ 81,427</u>	<u>\$ 1,445</u>	<u>\$ 82,872</u>

The School District's overall legal debt margin was \$3,038,201, with an unvoted debt margin of \$50,141 at June 30, 2005.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**11. LONG-TERM OBLIGATIONS (continued)**

*Classroom Facilities General Obligation Bonds* – The School District issued bonds in the amount of \$1,969,998 for the purpose of building new school facilities. Of these bonds, \$930,000 are serial bonds, with maturity dates of December 1, 2000 to December 1, 2011. \$990,000 are term bonds with a maturity date of December 1, 2022. \$50,000 of the bonds are capital appreciation bonds, with maturity dates of December 1, 2012, 2013, and 2014. The maturity amount is \$100,000 for each year. The capital appreciation bonds were accreted \$12,258 in fiscal year 2005, and \$35,571 in fiscal years prior to 2005.

The term bonds maturing on December 1, 2022 will be subject to mandatory sinking fund redemption as follows:

Year	Amount to be Redeemed
2015	\$100,000
2016	105,000
2017	115,000
2018	120,000
2019	125,000
2020	135,000
2021	140,000

The remaining \$150,000 principal amount of the bonds will mature at stated maturity on December 1, 2022. Principal and interest requirements to retire the classroom facilities general obligation bonds are as follows:

Fiscal Year Ending June 30,	Classroom Facilities General Obligation Bonds					
	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 70,000	\$ 85,248	\$ 0	\$ 0	\$ 0	\$ 0
2007	75,000	81,568	0	0	0	0
2008	80,000	77,595	0	0	0	0
2009	80,000	73,455	0	0	0	0
2010	85,000	69,122	0	0	0	0
2011-2015	185,000	95,490	49,998	250,002	0	199,240
2016-2020	0	0	0	0	565,000	207,145
2021-2023	0	0	0	0	425,000	37,519
Total	<u>\$ 575,000</u>	<u>\$ 482,478</u>	<u>\$ 49,998</u>	<u>\$ 250,002</u>	<u>\$ 990,000</u>	<u>\$ 443,904</u>

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**12. JOINTLY GOVERNED ORGANIZATION**

**A. Metropolitan Dayton Educational Cooperative Association**

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDCA \$31,950 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C Street, Dayton, Ohio 45405.

**B. Southwestern Ohio Educational Purchasing Council**

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2005, the School District paid \$6,896 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**12. JOINTLY GOVERNED ORGANIZATION (continued)**

**C. Southwestern Ohio Instructional Technology Association**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the state-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2005, the School District paid \$2,016 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**13. INSURANCE PURCHASING POOL**

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 an eleven-member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**14. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set-aside for this purpose.

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**14. SET-ASIDE CALCULATIONS (continued)**

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2004	\$ 81,833	\$ (1,925,374)	\$ 15,614
Current Year Set-aside Requirement	101,564	101,564	0
Current Year Offsets	0	(63,706)	0
Qualifying Disbursements	<u>(42,184)</u>	<u>(37,858)</u>	<u>0</u>
Set-aside Balances Carried Forward to Subsequent Years	\$ 141,213	\$ (1,925,374)	\$ 15,614
Set-aside Reserve Balances as of June 30, 2005	<u>\$ 141,213</u>	<u>\$ 0</u>	<u>\$ 15,614</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The negative amount can be carried forward as it represents proceeds of bonds from prior fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$156,827.

**15. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally required compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**B. State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**C. Litigation**

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

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The discussion and analysis of the Mississinawa Valley School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities decreased \$410,381, total net assets were \$898,597
- General receipts accounted for \$5,352,978 in receipts or 80% of all receipts. Program specific cash receipts in the form of charges for services, grants and contributions accounted for \$1,367,157 or 20% of total receipts of \$6,724,611.
- The School District had \$7,104,321 in total disbursements, of which \$6,845,787 were in governmental activities.

**Using this Annual Financial Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

**A. Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

**Using this Annual Financial Report (continued)**

**B. Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the School District as a Whole**

**Statement of Net Assets and Statement of Activities – Modified Cash Basis**

The statement of net assets and the statements of activities reflect how the School District did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, the condition of the School District's capital assets and infrastructure, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two kinds of activities.

Governmental Activities – Most of the District's services are reported here including instruction, support services, debt service and capital outlay.

Business-Type Activities – These services include food service and uniform school supplies. Service fees for these operations are charged based upon amount of usage.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

**The District as a Whole**

Table 1 provides a summary of the School District's net assets for 2005 and 2004. The comparative analysis is minimal because this is the first year for government-wide financial statements using the cash basis of accounting. Additional analysis will be provided in future years when prior year information is available.

**Table 1  
Net Assets - Cash Basis**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Assets</b>						
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 753,654	\$ 1,164,035	\$ 144,943	\$ 114,272	\$ 898,597	\$ 1,278,307
Total Assets	<u>753,654</u>	<u>1,164,035</u>	<u>144,943</u>	<u>114,272</u>	<u>898,597</u>	<u>1,278,307</u>
<b>Net Assets</b>						
Restricted for:						
Other Purposes	382,994	456,568	0	0	382,994	456,568
Debt Service	75,005	96,407	0	0	75,005	96,407
Capital Outlay	90,448	335,676	0	0	90,448	335,676
Unrestricted	<u>205,207</u>	<u>275,384</u>	<u>144,943</u>	<u>114,272</u>	<u>350,150</u>	<u>389,656</u>
Total Net Assets	<u>\$ 753,654</u>	<u>\$ 1,164,035</u>	<u>\$ 144,943</u>	<u>\$ 114,272</u>	<u>\$ 898,597</u>	<u>\$ 1,278,307</u>

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

Table 2 shows the changes in net assets for the fiscal year 2004. Since this is the first year Mississinawa Valley School District has prepared financial statements following GASB Statement 34 under the cash method, receipt and disbursement comparisons to fiscal year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
	<b>2004</b>	<b>2004</b>
<b>Receipts</b>		
<i>Program Receipts:</i>		
Charges for Services	\$ 346,730	\$ 177,084
Operating Grants,	597,215	107,645
Capital Grants and Contributions	138,483	0
<i>General Receipts:</i>		
Property Taxes	1,657,328	0
Grants and Entitlements	3,419,611	0
Investment Earnings	17,288	112
Proceeds sale of Notes	218,901	0
Other	39,850	4,364
<b>Total Receipts</b>	<b>6,435,406</b>	<b>289,205</b>
<i>Program Disbursements</i>		
Instruction	3,398,871	0
Support Services	2,332,726	0
Facilities Acquisition and Construction	431,412	0
Extracurricular Activities	211,969	0
Capital Outlay	218,901	0
Debt Service		
Principal	154,007	0
Interest	97,901	0
Food Service	0	235,639
Uniform Supplies	0	22,895
<b>Total Disbursements</b>	<b>6,845,787</b>	<b>258,534</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (410,381)</b>	<b>\$ 30,671</b>

**Governmental Activities**

The largest source of receipts for governmental activities are unrestricted grants and entitlements which accounted for about 54 percent of the total cash received during the year. Property and income taxes accounted for an additional 26 percent of revenues for governmental activities for the School District in fiscal year 2004.

Instruction accounted for approximately 50 percent of total cash disbursements for fiscal year 2004, with Regular Instruction making up the largest share at about 33 percent of total disbursements.

**Business-Type Activities**

Net assets for business-type activities increased by \$30,671 during fiscal year 2004. Charges for services were the largest source of receipts, accounting for about 61 percent of total business-type activities receipts. Operating grants and contributions accounted for another 37 percent of receipts.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2003 have not been made since they are not available.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2004</b>	<b>2004</b>
<b>Program Disbursements</b>		
Instruction:		
Regular	\$ 2,225,376	\$ 1,974,310
Special	777,162	555,999
Vocational	138,690	108,979
Other	257,643	257,643
Support Services		
Pupils	257,874	121,600
Instructional Staff	399,545	296,236
Board of Education	11,231	11,231
Administration	552,872	512,101
Fiscal	190,133	132,436
Business	602	602
Operation and Maintenance of Plant	659,160	658,861
Pupil Transportation	248,305	211,160
Central	13,004	13,004
Extracurricular Activities	211,969	136,856
Capital Outlay	218,901	218,901
Facilities Acquisition and Construction	431,412	301,532
Debt Service	251,908	251,908
	<u>6,845,787</u>	<u>5,763,359</u>
Total Disbursements	\$ 6,845,787	\$ 5,763,359

Charges for services and operating grants of about 16 percent of total cash receipts were received and used to fund the expenses of the District. The remaining 84 percent of cash receipts were from taxes unrestricted State entitlements, investment earnings, and miscellaneous receipts. The District's dependence upon tax revenues and state subsidies for governmental activities is apparent.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transaction. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Classroom Maintenance, Bond Retirement, and Permanent Improvement Funds.

**Governmental Funds**

Most of the School 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 fiscal year end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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.

**Fiduciary Funds**

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

**Proprietary Funds**

When the District charges users for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. The enterprise funds are reported as business-typed activities on the entity-wide statement of net assets and statement of activities. The District has two enterprise funds – the food service fund and uniform supplies fund.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**The School District Funds**

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$6,435,406 and disbursements of \$6,845,757. The General Fund had a decrease in fund balance of \$107,426 due to wage and benefit increases.

The District's enterprise funds had an operating loss of \$77,086 for fiscal year 2004. However, due to the federal and state subsidies, the enterprise funds had an increase in net assets of \$30,671 for fiscal year 2004.

**General Fund Budgeting Highlights**

The School 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 year 2004, the District amended its General Fund budget as needed. Final disbursements were budgeted at \$5,576,283, while actual disbursements were \$5,572,855, including encumbrances.

**Debt Administration**

At June 30, 2004, the District had \$1,715,569 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. The District also had a National School Fitness Foundation note outstanding in the amount of \$154,164. This note is being paid from the General Fund. For further information on the District's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

The Board will be closely monitoring expenditures to bring them in line with estimated revenues. Pupil teacher ratios and class sizes will be closely monitored during fiscal year 2005. The result of this analysis will help determine whether to replace retiring certified staff at the end of the 2005 fiscal year as well as in future fiscal years.

The administration will place an additional income tax levy on the ballot in May, since the November general election tax levy was defeated.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Carolyn Garver, Treasurer at Mississinawa Valley School District, 1469 State Route 47, Union City, Ohio 45390.

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**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 742,275	\$ 144,943	\$ 887,218
Cash and Cash Equivalents with Fiscal Agents	<u>11,379</u>	<u>0</u>	<u>11,379</u>
 Total Assets	 <u>\$ 753,654</u>	 <u>\$ 144,943</u>	 <u>\$ 898,597</u>
 <b>Net Assets</b>			
Restricted for:			
Debt Service	\$ 75,005	\$ 0	\$ 75,005
Capital Outlay	90,448	0	90,448
Set-Asides	126,436	0	126,436
Other Purposes	256,558	0	256,558
Unrestricted	<u>205,207</u>	<u>144,943</u>	<u>350,150</u>
 Total Net Assets	 <u>\$ 753,654</u>	 <u>\$ 144,943</u>	 <u>\$ 898,597</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Programs Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction:							
Regular	\$ 2,225,376	\$ 149,101	\$ 101,965	\$ 0	\$ (1,974,310)	\$ 0	\$ (1,974,310)
Special	777,162	0	221,163	0	(555,999)	0	(555,999)
Vocational	138,690	0	29,711	0	(108,979)	0	(108,979)
Other	257,643	0	0	0	(257,643)	0	(257,643)
Support Services:							
Pupils	257,874	0	136,274	0	(121,600)	0	(121,600)
Instructional Staff	399,545	0	103,309	0	(296,236)	0	(296,236)
Board of Education	11,231	0	0	0	(11,231)	0	(11,231)
Administration	552,872	37,134	3,637	0	(512,101)	0	(512,101)
Fiscal	190,133	56,840	857	0	(132,436)	0	(132,436)
Business	602	0	0	0	(602)	0	(602)
Operation and Maintenance of Plant	659,160	0	299	0	(658,861)	0	(658,861)
Pupil Transportation	248,305	28,542	0	8,603	(211,160)	0	(211,160)
Central	13,004	0	0	0	(13,004)	0	(13,004)
Extracurricular Activities	211,969	75,113	0	0	(136,856)	0	(136,856)
Capital Outlay	218,901	0	0	0	(218,901)	0	(218,901)
Facilities Acquisition and Construction	431,412	0	0	129,880	(301,532)	0	(301,532)
Debt Services:							
Principal	154,007	0	0	0	(154,007)	0	(154,007)
Interest	97,901	0	0	0	(97,901)	0	(97,901)
<b>Total Government Activities</b>	<b>6,845,787</b>	<b>346,730</b>	<b>597,215</b>	<b>138,483</b>	<b>(5,763,359)</b>	<b>0</b>	<b>(5,763,359)</b>
<b>Business Type Activities</b>							
Lunchroom	235,639	141,230	107,645	0	0	13,236	13,236
Uniform Supplies	22,895	35,854	0	0	0	12,959	12,959
<b>Total Business Type Activities</b>	<b>258,534</b>	<b>177,084</b>	<b>107,645</b>	<b>0</b>	<b>0</b>	<b>26,195</b>	<b>26,195</b>
<b>Totals</b>	<b>\$ 7,104,321</b>	<b>\$ 523,814</b>	<b>\$ 704,860</b>	<b>\$ 138,483</b>	<b>\$ (5,763,359)</b>	<b>\$ 26,195</b>	<b>\$ (5,737,164)</b>
<b>General Receipts</b>							
Property Taxes Levied for:							
General Purposes					943,561	0	943,561
Debt Service					164,762	0	164,762
Capital Outlay					64,104	0	64,104
Classroom Maintenance					22,549	0	22,549
Income Tax					462,352	0	462,352
Grants and Entitlements not Restricted to Specific Programs					3,419,611	0	3,419,611
Gifts and Donations					1,820	0	1,820
Investment Earnings					17,288	112	17,400
Proceeds Sale of Notes					218,901	0	218,901
Miscellaneous					38,030	4364	42,394
<b>Total General Receipts</b>					<b>5,352,978</b>	<b>4476</b>	<b>5,357,454</b>
<b>Changes in Net Assets</b>					<b>(410,381)</b>	<b>30,671</b>	<b>(379,710)</b>
<b>Net Assets Beginning of Year</b>					<b>1,164,035</b>	<b>114,272</b>	<b>1,278,307</b>
<b>Net Assets End of Year</b>					<b>753,654</b>	<b>144,943</b>	<b>898,597</b>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<b>General</b>	<b>Classroom Maintenance</b>	<b>Bond Retirement</b>	<b>Permanent Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 205,202	\$ 76,353	\$ 75,005	\$ 78,462	\$ 180,817	\$ 615,839
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0	11,379	11,379
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	126,436	0	0	0	0	126,436
<b>Total Assets</b>	<b>\$ 331,638</b>	<b>\$ 76,353</b>	<b>\$ 75,005</b>	<b>\$ 78,462</b>	<b>\$ 192,196</b>	<b>\$ 753,654</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	\$ 126,721	\$ 3,628	\$ 0	\$ 26,649	\$ 68,984	\$ 225,982
Reserved for Textbooks and Instructional Materials	81,833	0	0	0	0	81,833
Reserved for Capital Improvements	28,989	0	0	0	0	28,989
Reserved for Budget Stabilization	15,614	0	0	0	0	15,614
Unreserved, Undesignated (Deficit), Reported in:						
General Fund	78,481	0	0	0	0	78,481
Special Revenue Funds	0	72,725	0	0	111,225	183,950
Debt Service	0	0	75,005	0	0	75,005
Capital Projects Fund	0	0	0	51,813	11,987	63,800
<b>Total Fund Balances</b>	<b>\$ 331,638</b>	<b>\$ 76,353</b>	<b>\$ 75,005</b>	<b>\$ 78,462</b>	<b>\$ 192,196</b>	<b>\$ 753,654</b>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES -MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Classroom Maintenance</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>						
Property Taxes	\$ 943,561	\$ 22,549	\$ 164,762	\$ 64,104	\$ 0	\$ 1,194,976
Income Taxes	462,352	0	0	0	0	462,352
Intergovernmental	3,415,698	2,951	21,121	8,550	695,487	4,143,807
Investment Earnings	14,842	0	0	0	2,446	17,288
Tuition and Fees	143,085	0	0	0	0	143,085
Rent	6,611	0	0	0	0	6,611
Gifts and Donations	1,820	0	0	0	1,900	3,720
Extracurricular Activities	0	0	0	0	112,046	112,046
Miscellaneous	73,295	0	0	0	783	74,078
<b>Total Receipts</b>	<u>5,061,264</u>	<u>25,500</u>	<u>185,883</u>	<u>72,654</u>	<u>812,662</u>	<u>6,157,963</u>
<b>Disbursements</b>						
Current:						
Instruction:						
Regular	2,117,470	0	0	1,805	106,101	2,225,376
Special	549,981	0	0	0	227,181	777,162
Vocational	134,697	0	0	3,993	0	138,690
Other	254,153	0	0	0	3,490	257,643
Support Services:						
Pupils	107,108	0	0	0	150,766	257,874
Instructional Staff	297,905	0	0	0	101,640	399,545
Board of Education	11,231	0	0	0	0	11,231
Administration	506,295	0	0	0	46,577	552,872
Fiscal	183,529	491	3,575	1,411	1,127	190,133
Business	602	0	0	0	0	602
Operation and Maintenance of Plant	553,717	34,041	0	70,201	1,201	659,160
Pupil Transportation	247,883	0	0	62	360	248,305
Central	13,004	0	0	0	0	13,004
Extracurricular Activities	132,159	0	0	0	79,810	211,969
Capital Outlay	218,901	0	0	0	0	218,901
Facilities Acquisition and Construction	22,480	0	46,820	0	362,112	431,412
Debt Service:						
Principal	89,007	0	65,000	0	0	154,007
Interest	6,011	0	91,890	0	0	97,901
<b>Total Cash Disbursements</b>	<u>5,446,133</u>	<u>34,532</u>	<u>207,285</u>	<u>77,472</u>	<u>1,080,365</u>	<u>6,845,787</u>
Excess Receipts under Disbursements	(384,869)	(9,032)	(21,402)	(4,818)	(267,703)	(687,824)
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Assets	24,870	0	0	0	0	24,870
Proceeds from Sale of Notes	218,901	0	0	0	0	218,901
Refund of Prior Year Expenditures	33,672	0	0	0	0	33,672
<b>Total Sources (Uses)</b>	<u>277,443</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>277,443</u>
<b>Net Change in Fund Balance</b>	(107,426)	(9,032)	(21,402)	(4,818)	(267,703)	(410,381)
Fund Balances Beginning of Year	439,064	85,385	96,407	83,280	459,899	1,164,035
<b>Fund Balances End of Year</b>	<u>\$ 331,638</u>	<u>\$ 76,353</u>	<u>\$ 75,005</u>	<u>\$ 78,462</u>	<u>192,196</u>	<u>753,654</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property Taxes	\$ 950,509	\$ 943,561	\$ 943,561	\$ 0
Income Taxes	443,208	462,352	462,352	0
Intergovernmental	3,370,658	3,415,702	3,415,698	(4)
Tuition and Fees	141,198	143,085	143,085	0
Interest	17,328	17,561	14,842	(2,719)
Rent	6,523	6,611	6,611	0
Gifts and Donations	1,795	1,820	1,820	0
Miscellaneous	60,482	73,295	73,295	0
Total Receipts	<u>4,991,701</u>	<u>5,063,987</u>	<u>5,061,264</u>	<u>(2,723)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	2,152,780	2,125,800	2,125,542	258
Special	620,716	553,016	552,568	448
Vocational	146,260	134,860	134,697	163
Other	250,990	260,408	260,287	121
Support Services:				
Pupil	121,425	109,322	108,961	361
Instructional Staff	328,748	318,548	318,463	85
Board of Education	16,361	11,361	11,301	60
Administration	528,290	509,255	509,178	77
Fiscal	216,544	184,344	184,322	22
Business	6,712	2,912	2,850	62
Operation and Maintenance of Plant	541,060	567,016	565,440	1,576
Pupil Transportation	303,600	317,446	317,445	1
Central	16,100	13,300	13,243	57
Extracurricular Activities	139,537	132,237	132,159	78
Capital Outlay	218,901	218,901	218,901	0
Facility Acquisition & Construction	0	22,500	22,480	20
Debt Service:	95,657	95,057	95,018	39
Total Disbursements	<u>5,703,681</u>	<u>5,576,283</u>	<u>5,572,855</u>	<u>3,428</u>
Exces of Revenues Under Expenditures	(711,980)	(512,296)	(511,591)	705
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets	25,000	24,870	24,870	0
Refund of Prior Year Expenditures	33,672	33,672	33,672	0
Proceeds from Sale of Notes	218,901	218,901	218,901	0
Total Other Financing Sources (Uses)	<u>277,573</u>	<u>277,443</u>	<u>277,443</u>	<u>0</u>
Net Change in Fund Balance	(434,407)	(234,853)	(234,148)	705
Fund Balances Beginning of Year	241,625	241,625	241,625	0
Prior Year Encumbrances Appropriated	197,439	197,439	197,439	0
Fund Balances End of Year	<u>\$ 4,657</u>	<u>\$ 204,211</u>	<u>\$ 204,916</u>	<u>\$ 705</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS  
CLASSROOM MAINTENANCE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property Taxes	\$ 22,268	\$ 22,549	\$ 22,549	\$ 0
Intergovernmental	<u>2,922</u>	<u>2,951</u>	<u>2,951</u>	<u>0</u>
Total Receipts	<u>25,190</u>	<u>25,500</u>	<u>25,500</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Support Services:				
Fiscal	490	491	491	0
Operation and Maintenance of Plant	<u>19,515</u>	<u>35,014</u>	<u>37,669</u>	<u>(2,655)</u>
Total Disbursements	<u>20,005</u>	<u>35,505</u>	<u>38,160</u>	<u>(2,655)</u>
Exces of Revenues Under Expenditures	5,185	(10,005)	(12,660)	(2,655)
Fund Balances Beginning of Year	80,525	80,525	80,525	0
Prior Year Encumbrances Appropriated	<u>4,860</u>	<u>4,860</u>	<u>4,860</u>	<u>0</u>
Fund Balances End of Year	<u>\$ 90,570</u>	<u>\$ 75,380</u>	<u>\$ 72,725</u>	<u>\$ (2,655)</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 20004**

	<b>Business Type Activities Enterprise Funds</b>		
	<b>Food Service</b>	<b>All Other Enterprise Funds</b>	<b>Total</b>
<b>Current Assets</b>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ <u>117,096</u>	\$ <u>27,847</u>	\$ <u>144,943</u>
<b>Net Assets</b>			
Unrestricted	\$ <u>117,096</u>	\$ <u>27,847</u>	\$ <u>144,943</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Business-Type Activities</b>		
	<b>Enterprise</b>		
	<b>Food Service</b>	<b>All Other Enterprise Funds</b>	<b>Total</b>
<b>Operating Receipts</b>			
Charges for Services	\$ 141,230	\$ 35,854	\$ 177,084
Other Revenues	4,364	0	4,364
<b>Total Operating Receipts</b>	<b>145,594</b>	<b>35,854</b>	<b>181,448</b>
<b>Operating Disbursements</b>			
Salaries	103,643	0	103,643
Fringe Benefits	39,789	0	39,789
Purchased Services	5,143	0	5,143
Material and Supplies	76,963	22,895	99,858
Other	10,101	0	10,101
<b>Total Operating Expenses</b>	<b>235,639</b>	<b>22,895</b>	<b>258,534</b>
<b>Operating Income (Loss)</b>	<b>(90,045)</b>	<b>12,959</b>	<b>(77,086)</b>
<b>Non-Operating Revenues</b>			
Interest	112	0	112
Federal Subsidies	107,645	0	107,645
<b>Total Non-Operating Receipts</b>	<b>107,757</b>	<b>0</b>	<b>107,757</b>
<b>Change in Net Assets</b>	<b>17,712</b>	<b>12,959</b>	<b>30,671</b>
<b>Net Assets Beginning of Year</b>	<b>99,384</b>	<b>14,888</b>	<b>114,272</b>
<b>Net Assets End of Year</b>	<b>\$ 117,096</b>	<b>\$ 27,847</b>	<b>\$ 144,943</b>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 1,190	\$ 39,009
Investments	386,163	0
	<u>387,353</u>	<u>39,009</u>
 <b>Net Assets</b>		
Restricted for Students	0	39,009
Held in Trust for Scholarships	<u>387,353</u>	<u>0</u>
 Total Net Assets	 <u>\$ 387,353</u>	 <u>\$ 39,009</u>

See accompanying notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$ <u>8,526</u>
Total Additions	8,526
<b>Deductions</b>	
Scholarships	<u>10,170</u>
Changes in Net Assets	(1,644)
Net Assets Beginning of Year	<u>388,997</u>
Net Assets End of Year	\$ <u><u>387,353</u></u>

See accompanying notes to the Basic Financial Statements.

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Mississinawa Valley Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Mississinawa Valley Local School, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable, or for which the School District is not financially accountable but the nature and significance of the School District's relationship with the separate organization is such that it is required to be presented as a component unit. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. Mississinawa Valley Local School District has no component units.

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 12 and 13 to the basic financial statements. These organizations are:

**Jointly Governed Organizations:**

Metropolitan Dayton Educational Cooperative Association  
Southwestern Ohio Educational Purchasing Council  
Southwestern Ohio Instructional Technology Association

**Insurance Purchasing Pool:**

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group  
Rating Plan

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting. The modified cash basis of accounting differs from accounting principles generally used in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which, have been applied to the extent they are applicable to the modified cash basis of accounting. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of a government-wide statement of net assets and statement of activities, and fund financial statements providing more detailed financial information.

**Government-wide Financial Statement of Net Assets and Statement of Activities**

These statements display information about the School District as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities.

**Government-wide Financial Statement of Net Assets and Statement of Activities**

The government-wide statement of activities compares disbursements with program receipts for each segment of the District's business-type activities and for each function or program of the School District's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified-cash basis or draws from the School District's general receipts.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions directly relating to the funds' principal services, such as for services. Operating disbursements include costs of sales and services and administrative cost. The fund statements report all other receipts and disbursements as nonoperating.

**Fund Financial Statements**

Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Fund Accounting**

The School District uses funds and account groups to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental, proprietary or fiduciary.

**1. Governmental Fund Types**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

**Classroom Maintenance Fund** – The Classroom Maintenance Fund is used to account for the proceeds of a levy that are to be used for the maintenance of facilities.

**Bond Retirement Fund** – The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt obligation principal, interest, and related costs.

**Permanent Improvement Fund** – The Permanent Improvement Fund accounts for the acquisition, construction, or improving of capital improvements.

**2. Proprietary Fund Type**

Certain District funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The District classifies these as enterprise funds.

The School District's only major enterprise fund is the Food Service Fund, which accounts for the District's food service activities. The District's other enterprise fund accounts for uniform school supplies.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Fund Accounting (continued)**

**2. Fiduciary Fund Types**

Fiduciary Funds account for cash and investments where the School District in acting as trustee or fiscal agent for other entities or individuals. Fiduciary Funds include private-purpose trust funds and agency funds. Trust funds 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 School District's own programs.

The following are the School District's fiduciary funds:

The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature, where the District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for various student managed activities.

**B. Basis of Accounting**

The School District's financial statements are prepared on using the modified cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments assets, valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at time of sale are recorded as receipts or negative receipts, respectively.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expense (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements 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/function level for the general fund, bond retirement debt service fund, classroom facilities special revenue fund and permanent improvement capital project fund, and at the fund level for all remaining funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment 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 fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**D. Cash, Cash Equivalents and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the financial statements.

The balance of the grant activity administered by the fiscal agent is presented on the Statement of Net Assets as "Cash and Cash Equivalents with Fiscal Agent" and represents deposits of the Darke County Educational Service Center.

The District values investments and cash equivalents at cost. For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash, Cash Equivalents and Investments (continued)**

The School District invested in certificate of deposits and repurchase agreements during fiscal year 2004. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at time of sale are recorded as receipts or negative receipts, respectively.

Following Ohio statues, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 was \$14,842, including \$9,681 assigned from other School District funds.

**E. Restricted Assets**

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation is the source of the restrictions. Restricted cash and investments in the General Fund include amounts required to be spent on bus purchase and amounts State statute requires to be set aside for textbooks and instructional materials, and to create a budget reserve. See Note 14 for additional information regarding set-asides.

**F. Inventory**

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**G. Prepaid Items**

On the modified cash-basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as disbursements when made.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**I. Interfund Receivables/Payables**

On the fund financial statements, outstanding Interfund loans are reported as "Interfund Receivables/Payables." Interfund balances are eliminated on the government-wide statement of net assets except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances."

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified-cash basis of accounting.

**K. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**L. Fund Balance Designations and Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances, school bus purchase and textbooks and instructional materials. The reserve for school bus purchases represents money required to be spent on bus purchases and the reserve for textbooks and instructional materials represents money required to be set-aside by state Statute to purchase textbooks and instructional materials.

**M. Net Assets**

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net assets restricted for other purposes include resources restricted for food services operations, athletic programs, and federal and state grants restricted to cash disbursement for specific purposes. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Permanent nonexchange flows of cash from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Interim monies may be deposited or invested 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 any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan bank, Federal Farm Credit bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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. Bond 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).
7. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**3. DEPOSITS AND INVESTMENTS (continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the School District had \$90, in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

At June 30, 2004, the School District had "Cash and Cash Equivalents with Fiscal Agents" of \$11,379. The money is held by the Darke County Education Service Center, which is the fiscal agent for several school districts. The classification for the Darke County Educational Service Center as a whole can be obtained by writing Emiko Augsburger, who serves as Treasurer, at 5279 Education Drive, Greenville, Ohio 45331.

The following information discloses the risks associated with the Educational Service Center's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

**A. Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party of the financial institution.

As of June 30, 2004, the carrying amount of the School District's deposits were \$927,327. Cash balances per the bank were \$938,550. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$889,422 of the School District's bank balance was exposed to custodial credit risk in that it was uninsured and uncollateralized. Although, the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**3. DEPOSITS AND INVESTMENTS (continued)**

**B. Investments**

As of June 30, 2004, the School District had the following investments and maturities:

Investment	Maturities	Carrying Value
Federal Home Loan Mortgage Corporation Note	10/26/07 *	386,163
Total		\$386,163

\*These bonds mature 10/26/07 but are callable 10/26/05

**Interest Rate Risk:** State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the School District. The School District does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk:** State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District's investments in the Federal Home Loan Mortgage Corporation were rated AAA by Moody's Investors Service and AAA by Standard & Poor's at June 30, 2004.

**Concentration of Credit Risk:** The School District places no limit on the amount it may invest in any one issuer. 100% of the District's investments at June 30, 2004, were in the Federal National Mortgage Association.

**4. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July thorough June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed valued listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**4. PROPERTY TAXES (continued)**

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Darke County. 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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed valued upon which fiscal year 2004 taxes were collected are:

	2003 Second-Half Collections		2004 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,498,900	91.94%	\$46,194,930	91.71%
Public Utility Personal	2,060,080	4.07	1,886,990	3.75
Tangible Personal Property	2,017,600	3.99	2,289,910	4.54
Total	<u>\$50,576,580</u>	<u>100.00%</u>	<u>\$50,140,760</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 \$35.59		 \$35.04	

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**5. INCOME TAX**

The School District levies a voted tax of one percent on general operations on the income of residents and of estates. The first 0.50 percent tax was effective on January 1, 1990, while the second 0.50 percent tax was effective on January 1, 2000, and both are continuing taxes. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2004 were \$462,352.

**6. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the modified cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Change in Fund Balance – Budget and Actual (Budget Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and modified cash basis is outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (modified cash).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statement for the:

<b>General Fund</b>	
<b>Net Change in Fund Balance</b>	
Modified Cash Basis	\$ (107,426)
Adjustment for Encumbrances	<u>(126,722)</u>
Budget Basis	<u>\$ (234,148)</u>

<b>Classroom Maintenance Fund</b>	
<b>Net Change in Fund Balance</b>	
Modified Cash Basis	\$ (9,032)
Adjustment for Encumbrances	<u>(3,628)</u>
Budget Basis	<u>\$ (12,660)</u>

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**7. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2004, the School District contracted with Mangas Insurance for property and fleet, general liability, boiler and machinery, crime, and inland marine insurance.

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$2,500 deductible)	\$19,360,000
Inland Marine Coverage (\$100 deductible)	174,372
Boiler and Machinery (\$500 deductible)	No Limit
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	300,000
General Liability	
Per occurrence	500,000
Total per year	1,500,000
Umbrella Liability	10,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

**B. Workers' Compensation**

For fiscal year 2004, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$90,277, \$77,051, and \$42,310 respectively; 48.41 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**8. DEFINED BENEFIT PENSION PLANS (continued)**

**B. State Teachers Retirement System of Ohio (continued)**

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2003. 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 School district's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$337,382, \$327,914 and \$221,615 respectively; 83.11 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$4,060 made by the School District and \$8,368 made by the plan members.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**8. DEFINED BENEFIT PENSION PLANS (continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School employees Retirement System. As of June 30, 2004, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board members contribute to SERS.

**9. POSTEMPLOYMENT BENEFITS**

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

All retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund, For the School District, this amount equaled \$25,952 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$65,517.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**9. POSTEMPLOYMENT BENEFITS (continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, (the latest information available) were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**10. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Principal Outstanding 06/30/2003	Additions	Reductions	Principal Outstanding 6/30/2004
National School Fitness Foundation 2004 3.027%	\$ 0	\$ 218,901	\$ 64,737	\$ 154,164
Energy Conservation Loan 1993 5.1%	24,270	0	24,270	0
Classroom Facilities Bonds 2000 4.80 – 6.00%	1,769,847	10,722	65,000	1,715,569
Total General Long-Term Obligations	\$ 1,794,117	\$ 229,623	\$ 154,007	\$ 1,869,733

**National School Fitness Foundation Note** – On August 28, 2003, Mississinawa Valley School District issued a promissory note to the Old National Bank for a loan received in the amount of \$218,901. The loan was issued for the purpose of acquiring various fitness equipment, operational equipment, fitness program, signage, office supplies and forms for the School District's fitness center. The loan is payable in 36 monthly installments of \$6,373 with final maturity on July 28, 2006. It is being paid from the general fund.

National School Fitness Foundation Note			
Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$ 72,727	\$ 3,744	\$ 76,481
2006	75,051	1,429	76,480
2007	6,376	16	6,392
Total	\$ 154,154	\$ 5,189	\$ 159,353

**Energy Conservation Loan** – On July 1, 1993, the School District issued a loan in the amount of \$380,048. The loan was issued for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. It was issued for a ten-year period with final maturity during fiscal year 2004, and will be retired from the general fund.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**10. LONG-TERM OBLIGATIONS (continued)**

*Classroom Facilities General Obligation Bonds* – The School District issued bonds in the amount of \$1,969,998 for the purpose of building new school facilities. Of these bonds, \$930,000 are serial bonds, with maturity dates of December 1, 2000 to December 1, 2011. \$990,000 are term bonds with a maturity date of December 1, 2022. \$50,000 of the bonds are capital appreciation bonds, with maturity dates of December 1, 2012, 2013, and 2014. The maturity amount is \$100,000 for each year. The capital appreciation bonds were accreted \$10,722 in fiscal year 2004 and \$24,849 in fiscal years prior to 2004.

The term bonds maturing on December 1, 2022 will be subject to mandatory sinking fund redemption as follows:

Year	Amount to be Redeemed
2015	\$100,000
2016	105,000
2017	115,000
2018	120,000
2019	125,000
2020	135,000
2021	140,000

The remaining \$150,000 principal amount of the bonds will mature at stated maturity on December 1, 2022. Principal and interest requirements to retire the classroom facilities general obligation bonds are as follows:

Fiscal Year Ending June 30,	Classroom Facilities General Obligation Bonds					
	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 65,000	\$ 88,640	\$ 0	\$ 0	\$ 0	\$ 0
2006	70,000	85,248	0	0	0	0
2007	75,000	81,568	0	0	0	0
2008	80,000	77,595	0	0	0	0
2009	80,000	73,455	0	0	0	0
2010-2014	270,000	164,612	35,507	164,493	0	142,310
2015-2019	0	0	14,491	85,509	565,000	236,043
2020-2022	0	0	0	0	425,000	65,551
Total	<u>\$ 640,000</u>	<u>\$ 571,118</u>	<u>\$ 49,998</u>	<u>\$ 250,002</u>	<u>\$ 990,000</u>	<u>\$ 443,904</u>

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**11. JOINTLY GOVERNED ORGANIZATION**

**A. Metropolitan Dayton Educational Cooperative Association**

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDCA \$27,182 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C Street, Dayton, Ohio 45405.

**B. Southwestern Ohio Educational Purchasing Council**

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2004, the School District paid \$602 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**11. JOINTLY GOVERNED ORGANIZATION (continued)**

**C. Southwestern Ohio Instructional Technology Association**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the state-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2004, the School District paid \$2,748 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**12. INSURANCE PURCHASING POOL**

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 an eleven-member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**13. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set-aside for this purpose.

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**13. SET-ASIDE CALCULATIONS (continued)**

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2003	\$ 128,024	\$ (1,959,466)	\$ 15,614
Current Year Set-aside Requirement	100,773	100,773	0
Current Year Offsets	0	(64,104)	0
Qualifying Disbursements	<u>(146,964)</u>	<u>(2,577)</u>	<u>0</u>
Set-aside Balances Carried Forward to Future Fiscal Years	\$ <u>81,833</u>	\$ <u>(1,925,374)</u>	\$ <u>15,614</u>
Set-aside Reserve Balances as of June 30, 2004	\$ <u><u>81,833</u></u>	\$ <u><u>0</u></u>	\$ <u><u>15,614</u></u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The negative amount can be carried forward as it represents proceeds of bonds from prior fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$97,447.

**14. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally required compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**B. State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**C. Litigation**

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**15. FUND BALANCE, RESTATED TO MODIFIED CASH BASIS**

The School District previously implemented GASB Statement No. 33, GASB Statement No. 34 and GASB Interpretation No. 6. For the year ended June 30, 2004, the School District adopted modified cash basis, which had the following effects in the major and non-major funds of the School District, as they were previously reported.

	<u>General Fund</u>	<u>Classroom Maintenance</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Fund Balance, June 30, 2003 (GAAP Basis)	\$ 70,667	\$ 87,835	\$ 111,953	\$ 68,805	\$ 20,089,494	\$ 20,428,754
GAAP Adjustments, reverse						
Receivables	(1,157,573)	(22,683)	(143,235)	(64,317)	(45,229)	(1,433,037)
Accrued Interest	(630)	0	0	0	0	(630)
Prepaid Items	(24,567)	0	0	0	0	(24,567)
Inventories	(7,258)	0	0	0	0	(7,258)
Payables	256,516	0	0	21,559	339,252	617,327
Deferred Revenue	896,997	20,233	127,689	57,233	19,122	1,121,274
Compensated Absences	486,462	0	0	0	45,195	531,657
Escrow - Retainage	(81,550)	0	0	0	0	(81,550)
Fixed Assets	0	0	0	0	(19,987,935)	(19,987,935)
Fund Balance, restated Modified cash basis	<u>\$ 439,064</u>	<u>\$ 85,385</u>	<u>\$ 96,407</u>	<u>\$ 83,280</u>	<u>\$ 459,899</u>	<u>\$ 1,164,035</u>

	<u>Enterprise Funds Food Service Fund</u>	<u>Non-Major Fund</u>	<u>Total Enterprise</u>	<u>Fiduciary Funds Trust Funds</u>	<u>Agency Funds</u>
Fund Balance, June 30, 2003 (GAAP Basis)	\$ 137,039	\$ 25,160	\$ 162,199	\$ 349,083	\$ 39,915
GAAP Adjustments, reverse					
Receivables	0	(10,741)	(10,741)	0	0
Accrued Interest	0	0	0	0	0
Prepaid Items	0	0	0	0	0
Inventories	(3,245)	0	(3,245)	0	0
Payables	16,902	469	17,371	0	4,420
Deferred Revenue	0	0	0	0	0
Compensated Absences	27,323	0	27,323	0	0
Due to Students	0	0	0	39,915	0
Fixed Assets	(78,635)	0	(78,635)	0	0
Fund Balance, restated Modified cash basis	<u>\$ 99,384</u>	<u>\$ 14,888</u>	<u>\$ 114,272</u>	<u>\$ 388,998</u>	<u>\$ 44,335</u>

VANDERHORST & MANNING CPAs, LLC  
6105 NORTH DIXIE DRIVE  
P.O. BOX 13449  
DAYTON, OHIO 45414

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Mississinawa Valley Local School District  
Darke County  
1469 State Route 47  
Union City, Ohio 45390

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mississinawa Valley Local School District, Darke County, (the District), as of and for the fiscal years ended June 30, 2005 and 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2006, wherein we noted the District reports on the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is required. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 24, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated February 24, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.

Vanderhorst & Manning CPAs, LLC  
Dayton, Ohio

February 24, 2006

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Adm. Code Section 117-2-03 (B)** requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare their financial statements in accordance with GAAP.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE 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  
JUNE 20, 2006**