

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006



Mary Taylor, CPA
Auditor of State

Board of Trustees
Mississinawa Valley Local School District
1469 State Route 47
Union City, Ohio 45390

We have reviewed the *Independent Accountants' Report* of the Mississinawa Valley Local School District, Darke County, prepared by Manning & Associates CPAs, LLC, for the audit period July 1, 2005 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 1, 2008

This Page is Intentionally Left Blank.

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, 2007		3 - 9
Basic Financial Statements For the Fiscal Year Ended June 30, 2007:		
Government-wide Financial Statements for the Fiscal Year Ended June 30, 2007:		
Statement of Net Assets - Modified Cash Basis		10
Statement of Activities - Modified Cash Basis		11
Fund Financial Statements for the Fiscal Year Ended June 30, 2007:		
Statement of Assets and Fund Balances - Modified Cash Basis - Governmental Funds		12
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis - Governmental Funds		13
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance Budget and Actual (Budget Basis) - General Fund		14
Statement of Fund Net Assets - Modified Cash Basis - Proprietary Funds		15
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Modified Cash Basis - Proprietary Funds		16
Statement of Fiduciary Net Assets - Modified Cash Basis - Fiduciary Funds		17
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis - Fiduciary Fund		18
Notes to the Basic Financial Statements - For the Fiscal Year Ended June 30, 2007		20 - 41

This Page is Intentionally Left Blank.

MISSISSINAWA VALLEY SCHOOL DISTRICT
DARKE COUNTY

TITLE	TABLE OF CONTENTS (continued)	PAGE
Management's Discussion and Analysis - For the Fiscal Year Ended June 30, 2006		43 - 49
Basic Financial Statements For the Fiscal Year Ended June 30, 2006:		
Government-wide Financial Statements for the Fiscal Year Ended June 30, 2006:		
Statement of Net Assets - Modified Cash Basis		50
Statement of Activities - Modified Cash Basis		51
Fund Financial Statements for the Fiscal Year Ended June 30, 2006:		
Statement of Assets and Fund Balances - Modified Cash Basis - Governmental Funds		52
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis - Governmental Funds		53
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual (Budget Basis) - General Fund		54
Statement of Fund Net Assets - Modified Cash Basis - Proprietary Funds		55
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Modified Cash Basis - Proprietary Funds		56
Statement of Fiduciary Net Assets - Modified Cash Basis - Fiduciary Funds		57
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis - Fiduciary Fund		58
Notes to the Basic Financial Statements - For the Fiscal Year Ended June 30, 2006		60 - 81
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and other Matters Required by <i>Government Auditing Standards</i>		83 - 84
Schedule of Findings		85
Schedule of Prior Audit Findings		86

This Page Intentionally Left Blank

**MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
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, 2007 and June 30, 2006, 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 opinion.

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, 2007 and 2006, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2007, 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 accounting principles generally accepted in the United States of America 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.

Manning & Associates CPAs, LLC

December 16, 2007

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

This discussion and analysis of the Mississinawa Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for fiscal year 2007 are as follows:

Total net assets were \$1,586,525. Net assets of governmental activities increased \$347,103, or approximately 34 percent.

Net assets of business-type activities increased \$31,786, or about 16 percent.

The total change in net assets was an increase of \$378,889.

Using the Basic Financial Statements

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 District's modified cash basis of accounting.

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the 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.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The 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 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.

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

Reporting the District as a Whole

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

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2007, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for the District's programs. 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 the program.

These statements report the 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 District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the condition of the District's capital assets and the reliance on non-local financial resources for operations.

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.

Reporting the 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, 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.

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

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.

The District as a Whole

Table 1 provides a summary of the District's net assets for 2007 compared to 2006 on a modified cash basis:

	Governmental Activities		Business-Type Activities		Total	
	FY 07	FY 06	FY 07	FY 06	FY 07	FY 06
Assets						
Equity in Pooled Cash, Cash Equivalents and Investments	\$1,359,333	\$1,005,338	\$227,192	\$195,406	\$1,586,525	\$1,200,744
Cash and Cash Equivalents with Fiscal Agents	0	6,892	0	0	0	6,892
Total Assets	1,359,333	1,012,230	227,192	195,406	1,586,525	1,207,636
Net Assets						
Restricted for:						
Other Purposes	519,231	454,480	0	0	519,231	454,480
Debt Service	133,542	102,085	0	0	133,542	102,085
Capital Outlay	199,599	164,087	0	0	199,599	164,087
Unrestricted	506,961	291,578	227,192	195,406	734,153	486,984
Total Net Assets	\$1,359,333	\$1,012,230	\$227,192	\$195,406	\$1,586,525	\$1,207,636

Total net assets increased \$378,889. Net assets of governmental activities increased \$347,103 or about 34 percent during fiscal year 2007. The primary reason for the increase in cash balances were reductions in expenditures and the increase in the income tax rate.

Net assets of business-type activities increased \$31,786 due primarily to the increased number of lunches sold and the increase in federal reimbursement. There was no increase in fees for the business-type activities. Expenditures of these activities were monitored very closely.

Table 2 reflects the changes in net assets in fiscal year 2007, and a comparative balance to fiscal year 2006.

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

Table 2 Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 07	FY 06	FY 07	FY 06	FY 07	FY 06
Program Receipts:						
Charges for Services	\$560,796	\$400,913	\$184,777	\$183,103	\$745,573	\$584,016
Operating Grants and Contributions	743,332	654,035	138,545	129,062	881,877	783,097
Capital Grants and Contributions	7,495	4,692	0	0	7,495	4,692
Total Program Receipts	1,311,623	1,059,640	323,322	312,165	1,634,945	1,371,805
General Receipts:						
Property Taxes	1,222,895	1,181,484	0	0	1,222,895	1,181,484
Income Taxes	523,604	465,422	0	0	523,604	465,422
Grants and Entitlements	3,624,384	3,771,491	0	0	3,624,384	3,771,491
Investment Earnings	63,370	39,359	3,446	448	69,109	39,807
Other	21,094	10,899	5,187	4,833	26,281	15,732
Total General Receipts	5,455,347	5,468,655	8,633	5,281	5,466,273	5,473,936
Total Receipts	6,766,970	6,528,295	331,955	317,446	7,101,218	6,845,741
Disbursements:						
Instruction:						
Regular	2,256,031	2,211,151	0	0	2,256,031	2,211,151
Special	954,601	783,621	0	0	954,601	783,621
Vocational	123,741	126,444	0	0	123,741	126,444
Other	362,629	382,396	0	0	362,629	382,396
Support Services:						
Pupil	305,135	307,170	0	0	305,135	307,170
Instructional Staff	415,318	386,295	0	0	415,318	386,295
Board of Education	7,691	7,468	0	0	7,691	7,468
Administration	515,562	527,240	0	0	515,562	527,240
Fiscal	222,595	185,262	0	0	222,595	185,262
Business	3,282	3,695	0	0	3,282	3,695
Oper. & Mtce of Plant	567,453	536,268	0	0	567,453	536,268
Transportation	293,818	287,891	0	0	293,818	287,891
Central	28,604	18,348	0	0	28,604	18,348
Extracurricular Activities	200,465	222,981	0	0	200,465	222,981
Debt Service: Principal	81,343	145,084	0	0	81,343	145,084
Debt Service: Interest	81,599	86,644	0	0	81,599	86,644
Food Service	0	0	260,036	235,971	260,036	235,971
Uniform Supplies	0	0	40,133	37,532	40,133	37,532
Total Disbursements	6,419,867	6,217,958	300,169	273,503	6,720,036	6,491,461
Increase in Net Assets	347,103	310,337	31,786	43,943	378,889	354,280
Fund Balance Beg. of Year	1,012,230	701,893	195,406	151,463	1,207,636	853,356
Fund Balance End of Year	1,359,333	1,012,230	227,192	195,406	1,586,525	1,207,636

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

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 receipts.

Instruction accounted for approximately 57 percent of total cash disbursements for fiscal year 2007, with Regular Instruction making up the largest share at about 35 percent of total disbursements. Pupil and Instructional Staff support services accounted for about 11 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 8 percent of total disbursements. Transportation accounted for about 5 percent of total disbursements and Extracurricular Activities accounted for about 3 percent of total disbursements.

Business-Type Activities

Net assets for business-type activities increased by \$31,786 during fiscal year 2007. Charges for services were the largest source of receipts, accounting for about 56 percent of total business-type activities receipts. Operating grants and contributions accounted for another 42 percent of receipts.

Statement of Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, restricted State entitlements and investment earnings. A comparative analysis to fiscal year 2006 is also presented.

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

(Table 3)

	Governmental Activities			
	<u>FY 07</u>		<u>FY 06</u>	
	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>
Instruction:				
Regular	\$2,256,031	\$1,921,227	\$2,211,151	\$1,951,353
Special	954,601	520,537	783,621	519,791
Vocational	123,741	93,838	126,444	95,752
Other	362,629	362,269	382,396	381,161
Support Services:				
Pupils	305,135	109,763	307,170	102,501
Instructional Staff	415,318	338,174	386,295	296,483
Board of Education	7,691	7,691	7,468	7,468
Administration	515,562	469,862	527,240	482,974
Fiscal	222,595	184,901	185,262	124,737
Business	3,282	3,282	3,695	3,695
Operation and Maintenance				
of Plant	567,453	556,468	536,268	535,783
Transportation	293,818	256,560	287,891	280,333
Central	28,604	23,604	18,348	18,348
Extracurricular Activities	200,465	97,126	222,981	126,211
Debt Service:				
Principal	81,343	81,343	145,084	145,084
Interest	81,599	81,599	86,644	86,644
Total Disbursements	<u>\$6,419,867</u>	<u>\$5,108,244</u>	<u>\$6,217,958</u>	<u>\$5,158,318</u>

Charges for services and operating grants of about 19 percent of total cash receipts were received and used to fund the expenses of the District. The remaining 81 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

The District's Funds

Information about the District's major governmental funds begins on page 12. All governmental funds had total receipts of \$6,766,970 and total disbursements of \$6,419,867. The General Fund is the chief operating fund of the District. At the end of fiscal year 2007, unreserved fund balance of the General Fund was \$337,733. The greatest change within the funds occurred in the General Fund which had an increase of \$271,681 in fund balance due to changes in expenditure coding and monitoring of expenditures. Some expenditures were being charged out of the general fund that could have been charged out of the permanent improvement fund or building maintenance fund. We also received a small increase in our income tax collections due to the passage of a recent levy.

Information about the District's enterprise funds begins on page 15. The enterprise funds had an operating loss of \$110,205 for fiscal year 2007. However, due to the federal and state subsidies and interest, the enterprise funds had an increase in net assets of \$31,786 for fiscal year 2007.

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

Major Funds 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 receipts, disbursements and encumbrances. The District's budget is adopted on a line item basis. The Board of Education adopts the budget at the fund and function level (i.e., General Fund – Regular Instruction).

During fiscal year 2007, the General Fund had original appropriations of \$5,460,495 and final appropriations of \$5,606,378. Actual expenditures plus encumbrances were \$5,595,701. Original estimated receipts were \$5,484,956 and final estimated receipts were \$5,484,956. Actual receipts for fiscal year 2007 were \$5,698,154.

Capital Assets

The District tracks its capital assets and contracts with Valuation Engineers to keep their reports current.

Debt

At June 30, 2007, the School District had \$1,547,862 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. For more information on the School District's debt see Note 11 of the notes to the basic financial statements.

Current Financial Issues and Concerns

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Mississinawa Valley passed an income tax levy in May of 2006. This income tax will help offset the reductions in state revenue.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Nick Hamilton, Treasurer, Mississinawa Valley Local School District, 1469 State Route 47, Union City, OH 45390.

**Mississinawa Valley Local School District
Darke County
Statement of Net Assets - Modified Cash Basis
June 30, 2007**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ <u>1,359,333</u>	\$ <u>227,192</u>	\$ <u>1,586,525</u>
<i>Total Assets</i>	<u>\$ 1,359,333</u>	<u>\$ 227,192</u>	<u>\$ 1,586,525</u>
Net Assets			
Restricted for:			
Debt Service	\$ 133,542	\$ 0	\$ 133,542
Capital Outlay	199,599	0	199,599
Other Purposes	519,231	0	519,231
Unrestricted	<u>506,961</u>	<u>227,192</u>	<u>734,153</u>
<i>Total Net Assets</i>	<u>\$ 1,359,333</u>	<u>\$ 227,192</u>	<u>\$ 1,586,525</u>

See accompanying notes to the basic financial statements

**Mississinawa Valley Local School District
Darke County
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2007**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction:							
Regular	\$ 2,256,031	\$ 155,365	\$ 179,439	\$ 0	\$ (1,921,227)	\$ 0	\$ (1,921,227)
Special	954,601	180,157	253,907	0	(520,537)	0	(520,537)
Vocational	123,741	0	29,903	0	(93,838)	0	(93,838)
Other	362,629	360	0	0	(362,269)	0	(362,269)
Support Services:							
Pupil	305,135	0	195,372	0	(109,763)	0	(109,763)
Instructional Staff	415,318	0	77,144	0	(338,174)	0	(338,174)
Board of Education	7,691	0	0	0	(7,691)	0	(7,691)
Administration	515,562	40,888	4,812	0	(469,862)	0	(469,862)
Fiscal	222,595	37,694	0	0	(184,901)	0	(184,901)
Business	3,282	0	0	0	(3,282)	0	(3,282)
Operation and Maintenance of Plant	567,453	10,985	0	0	(556,468)	0	(556,468)
Pupil Transportation	293,818	27,008	2,755	7,495	(256,560)	0	(256,560)
Central	28,604	5,000	0	0	(23,604)	0	(23,604)
Extracurricular Activities	200,465	103,339	0	0	(97,126)	0	(97,126)
Debt Service:							
Principal	81,343	0	0	0	(81,343)	0	(81,343)
Interest	81,599	0	0	0	(81,599)	0	(81,599)
Total Governmental Activities	6,419,867	560,796	743,332	7,495	(5,108,244)	0	(5,108,244)
Business Type Activity							
Lunchroom	260,036	144,740	138,545	0	0	23,249	23,249
Uniform Supplies	40,133	40,037	0	0	0	(96)	(96)
Total Business-Type Activities	300,169	184,777	138,545	0	0	23,153	23,153
Totals	\$ 6,720,036	\$ 745,573	\$ 881,877	\$ 7,495	\$ (5,108,244)	\$ 23,153	\$ (5,085,091)
General Receipts							
Property Taxes Levied for:							
General Purposes					965,178	0	965,178
Debt Service					171,205	0	171,205
Capital Outlay					63,848	0	63,848
Classroom Maintenance					22,664	0	22,664
Income Taxes Levied for General Purposes					523,604	0	523,604
Grants and Entitlements not Restricted to Specific Programs					3,624,384	0	3,624,384
Interest					63,370	3,446	66,816
Miscellaneous					21,094	5,187	26,281
Total General Receipts					5,455,347	8,633	5,463,980
Change in Net Assets					347,103	31,786	378,889
Net Assets Beginning of Year					1,012,230	195,406	1,207,636
Net Assets End of Year					\$ 1,359,333	\$ 227,192	\$ 1,586,525

See accompanying notes to the basic financial statements

**Mississinawa Valley Local School District
Darke County
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
As of June 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 506,961	\$ 133,542	\$ 186,743	\$ 268,832	\$ 1,096,078
Restricted Asset:					
Equity in Pooled Cash and Cash Equivalents	<u>263,255</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>263,255</u>
<i>Total Assets</i>	<u>\$ 770,216</u>	<u>\$ 133,542</u>	<u>\$ 186,743</u>	<u>\$ 268,832</u>	<u>\$ 1,359,333</u>
Fund Balances					
Reserved for Encumbrances	169,228	0	12,665	33,651	215,544
Reserved for Textbooks and Instructional Materials	234,578	0	0	0	234,578
Reserved for School Bus Purchase	13,063	0	0	0	13,063
Reserved for Budget Stabilization	15,614	0	0	0	15,614
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	337,733	0	0	0	337,733
Special Revenue Funds	0	0	0	222,325	222,325
Debt Service Fund	0	133,542	0	0	133,542
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>174,078</u>	<u>12,856</u>	<u>186,934</u>
<i>Total Fund Balances</i>	<u>\$ 770,216</u>	<u>\$ 133,542</u>	<u>\$ 186,743</u>	<u>\$ 268,832</u>	<u>\$ 1,359,333</u>

See accompanying notes to the basic financial statements

**Mississinawa Valley Local 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, 2007**

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$ 965,178	\$ 171,205	\$ 63,848	\$ 22,664	\$ 1,222,895
Income Tax	523,604	0	0	0	523,604
Intergovernmental	3,713,216	20,511	8,854	630,771	4,373,352
Interest	62,837	0	0	533	63,370
Tuition and Fees	348,811	0	0	0	348,811
Extracurricular Activities	0	0	0	143,571	143,571
Contributions and Donations	0	0	0	6,859	6,859
Rent	8,157	0	0	0	8,157
Miscellaneous	60,367	0	0	0	60,367
<i>Total Receipts</i>	<u>5,682,170</u>	<u>191,716</u>	<u>72,702</u>	<u>804,398</u>	<u>6,750,986</u>
Disbursements					
Current:					
Instruction:					
Regular	2,191,145	0	0	64,886	2,256,031
Special	696,968	0	0	257,633	954,601
Vocational	123,512	0	0	229	123,741
Other	362,629	0	0	0	362,629
Support Services:					
Pupil	93,433	0	0	211,702	305,135
Instructional Staff	334,852	0	0	80,466	415,318
Board of Education	7,691	0	0	0	7,691
Administration	469,168	0	0	46,394	515,562
Fiscal	217,027	3,691	1,389	488	222,595
Business	3,282	0	0	0	3,282
Operation and Maintenance of Plant	511,942	0	31,060	24,451	567,453
Pupil Transportation	290,658	0	582	2,578	293,818
Central	12,062	0	0	16,542	28,604
Extracurricular Activities	105,730	0	0	94,735	200,465
Debt Service:					
Principal	6,343	75,000	0	0	81,343
Interest	31	81,568	0	0	81,599
<i>Total Disbursements</i>	<u>5,426,473</u>	<u>160,259</u>	<u>33,031</u>	<u>800,104</u>	<u>6,419,867</u>
<i>Excess of Receipts Over Disbursements</i>	255,697	31,457	39,671	4,294	331,119
Other Financing Sources					
Refund of Prior Year Expenditures	15,984	0	0	0	15,984
<i>Net Change in Fund Balances</i>	271,681	31,457	39,671	4,294	347,103
<i>Fund Balances Beginning of Year</i>	<u>498,535</u>	<u>102,085</u>	<u>147,072</u>	<u>264,538</u>	<u>1,012,230</u>
<i>Fund Balances End of Year</i>	<u>\$ 770,216</u>	<u>\$ 133,542</u>	<u>\$ 186,743</u>	<u>\$ 268,832</u>	<u>\$ 1,359,333</u>

See accompanying notes to the basic financial statements

Mississinawa Vally Local School District
Darke County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 845,000	\$ 845,000	\$ 965,178	\$ 120,178
Income Taxes	492,900	492,900	523,604	30,704
Intergovernmental	3,863,756	3,863,756	3,713,216	(150,540)
Tuition and Fees	187,000	187,000	348,811	161,811
Interest	39,300	39,300	62,837	23,537
Rent	6,000	6,000	8,157	2,157
Miscellaneous	50,000	50,000	60,367	10,367
<i>Total Revenues</i>	<u>5,483,956</u>	<u>5,483,956</u>	<u>5,682,170</u>	<u>198,214</u>
Expenditures				
Current:				
Instruction:				
Regular	2,184,051	2,201,537	2,201,537	0
Special	680,472	727,434	727,431	3
Vocational	113,652	123,511	123,511	0
Other	355,245	380,238	380,238	0
Support Services:				
Pupil	119,038	101,038	99,401	1,637
Instructional Staff	324,014	345,526	345,526	0
Board of Education	8,397	8,397	7,791	606
Administration	483,866	475,866	474,662	1,204
Fiscal	200,975	218,235	218,235	0
Business	2,748	4,882	4,882	0
Operation and Maintenance of Plant	503,625	527,966	527,965	1
Pupil Transportation	339,092	360,054	360,054	0
Central	19,346	19,346	12,364	6,982
Extracurricular Activities	125,974	105,974	105,730	244
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	0	6,343	6,343	0
Interest and Fiscal Charges	0	31	31	0
<i>Total Expenditures</i>	<u>5,460,495</u>	<u>5,606,378</u>	<u>5,595,701</u>	<u>10,677</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	23,461	(122,422)	86,469	208,891
Other Financing Sources				
Refund of Prior Year Expenditures	1,000	1,000	15,984	14,984
<i>Net Change in Fund Balance</i>	24,461	(121,422)	102,453	223,875
<i>Fund Balance Beginning of Year</i>	322,467	322,467	322,467	0
Prior Year Encumbrances Appropriated	176,068	176,068	176,068	0
<i>Fund Balance End of Year</i>	<u>\$ 522,996</u>	<u>\$ 377,113</u>	<u>\$ 600,988</u>	<u>\$ 223,875</u>

See accompanying notes to the basic financial statements

**Mississinawa Vally Local School District
Darke County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
As of June 30, 2007**

	Business-Type Activities Enterprise Funds		
	Food Service	All Other Enterprise Funds	Total
Current Assets			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 200,504	\$ 26,688	\$ 227,192
	\$ 200,504	\$ 26,688	\$ 227,192
Net Assets			
Unrestricted	\$ 200,504	\$ 26,688	\$ 227,192
	\$ 200,504	\$ 26,688	\$ 227,192

See accompanying notes to the basic financial statements

**Mississinawa Valley Local 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, 2007**

	Business-Type Activities Enterprise Funds		
	Food Service	All Other Enterprise Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Receipts			
Sales	\$ 144,740	\$ 40,037	\$ 184,777
Other Revenues	5,187	0	5,187
<i>Total Operating Revenues</i>	<u>149,927</u>	<u>40,037</u>	<u>189,964</u>
Operating Disbursements			
Salaries	104,321	0	104,321
Fringe Benefits	41,494	0	41,494
Purchased Services	7,714	0	7,714
Materials and Supplies	83,345	40,133	123,478
Other	16,118	0	16,118
Capital Outlay	7,044	0	7,044
<i>Total Operating Expenses</i>	<u>260,036</u>	<u>40,133</u>	<u>300,169</u>
<i>Operating Loss</i>	<u>(110,109)</u>	<u>(96)</u>	<u>(110,205)</u>
Non-Operating Revenues			
Interest	3,446	0	3,446
Federal Subsidies	138,545	0	138,545
<i>Total Non-Operating Revenues</i>	141,991	0	141,991
<i>Change in Net Assets</i>	31,882	(96)	31,786
<i>Net Assets Beginning of Year</i>	<u>168,622</u>	<u>26,784</u>	<u>195,406</u>
<i>Net Assets End of Year</i>	<u>\$ 200,504</u>	<u>\$ 26,688</u>	<u>\$ 227,192</u>

See accompanying notes to the basic financial statements

**Mississinawa Valley Local School District
Darke County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2007**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 17,617	\$ 36,848
Investments in Segregated Accounts	386,163	0
<i>Total Assets</i>	\$ 403,780	\$ 36,848
Liabilities		
Due to Students	0	\$ 36,848
Net Assets		
Held in Trust for Scholarships	403,780	
	\$ 403,780	

See accompanying notes to the basic financial statements

Mississinawa Valley Local School District
Darke County
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2007

	<u>Private Purpose Trust</u>
Additions	
Interest	\$ 27,887
Deductions	
Scholarships	<u>14,150</u>
Change in Net Assets	13,737
Net Assets - Beginning of Year	<u>390,043</u>
Net Assets - End of Year	<u><u>\$ 403,780</u></u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007**

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, 2007**

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.

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, 2007**

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, 2007**

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, 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 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, 2007**

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 2007. 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 2007 was \$63,370, including \$35,175 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, 2007, 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, 2007**

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

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

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, 2007**

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, 2007**

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."

The following information discloses the risks associated with the District'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, 2007, the carrying amount of the School District's deposits were \$1,640,900. Cash balances per the bank were \$1,664,997. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$1,365,997 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, 2007**

3. DEPOSITS AND INVESTMENTS (continued)

B. Investments

As of June 30, 2007, the School District had the following investments and maturities:

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

*These bonds mature 10/26/07 but are callable 10/26/06

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, 2007.

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, 2007, were in the Federal Home Loan Mortgage Corporation.

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed valued listed as of January 1, 2006, 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, 2007**

4. PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible person property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. 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, 2007, are available to finance fiscal year 2007 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, 2007 was \$109,657 in the General Fund, \$21,639 in the Bond Retirement Fund and \$7,242 in the Permanent Improvement Fund.

The assessed valued upon which fiscal year 2007 taxes were collected are:

	2006 Second-Half Collections		2007 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$49,547,310	93.99%	\$49,926,170	94.38%
Public Utility Personal	3,168,000	6.01	2,974,780	5.62
Total	\$52,715,310	100.00%	\$52,900,950	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	 \$35.10		 \$35.10	

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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. The third .75 percent tax was effective January 1, 2007, and is effective for five years. 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 2007 were \$523,604.

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:

General Fund	
Net Change in Fund Balance	
Modified Cash Basis	\$ 271,681
Adjustment for Encumbrances	<u>(169,228)</u>
Budget Basis	<u><u>\$ 102,453</u></u>

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 2007, the School District contracted with Mangas Insurance for property and fleet, general liability, boiler and machinery, crime, and inland marine insurance.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

7. RISK MANAGEMENT, (continued)

A. Property and Liability, (continued)

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$2,500 deductible)	\$19,360,000
Inland Marine Coverage (\$100 deductible)	175,000
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 2007, 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, 2007**

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 2007, 10.68 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, 2007, 2006 and 2005 were \$88,421, \$71,839, and \$96,889 respectively; 48 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

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.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 that 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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2006. 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, 2007, 2006, and 2005 were \$344,805, \$343,586 and \$354,447 respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$4,726 made by the School District and \$9,099 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, 2007**

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, 2007, 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, 2007, 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 \$26,523 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 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, 2007, employer contributions to fund health care benefits were 3.32 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 2007, the minimum pay was established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$39,369.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007, (the latest information available) were \$158,751,207. At June 30, 2007, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus ninety, not to exceed 220 days for all employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 55 days for certified and classified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to classified employees through the Community Life Insurance Company, and medical, surgical, dental and vision insurance through Anthem PPO Blue Cross Blue Shield to all employees.

C. Deferred Compensation Plan

Employees may elect to participate in the Ohio Association of School Business Officials Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding <u>06/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>6/30/2007</u>
National School Fitness Foundation Note 2004 3.027%	\$ 6,343	\$ 0	\$ 6,343	\$ 0
Classroom Facilities Bonds 2000 4.80 – 6.00%	<u>1,606,841</u>	<u>16,021</u>	<u>75,000</u>	<u>1,547,862</u>
Total General Long-Term Obligations	<u>\$ 1,744,254</u>	<u>\$ 16,021</u>	<u>\$ 81,343</u>	<u>\$ 1,547,862</u>

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 \$16,021 in fiscal year 2007, and \$61,841 in fiscal years prior to 2007.

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

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

11. LONG-TERM OBLIGATIONS (continued)

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
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	90,000	64,463	0	0	0	0
2012	95,000	31,027	0	0	0	0
2013-2017	0	0	49,998	250,002	100,000	256,291
2018-2022	0	0	0	0	600,000	170,651
2023	0	0	0	0	290,000	16,962
Total	\$ 430,000	\$ 315,662	\$ 49,998	\$ 250,002	\$ 990,000	\$ 443,904

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 \$50,425 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

12. JOINTLY GOVERNED ORGANIZATION (continued)

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 2007, the School District paid \$594 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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 2007, the School District paid \$1,296 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.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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.

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2006	\$ 185,775	\$ (1,887,677)	\$ 15,614
Current Year Set-aside Requirement	107,922	107,922	0
Current Year Offsets	0	(63,848)	0
Qualifying Disbursements	(59,119)	(2,884)	0
Set-aside Balances Carried Forward to Subsequent Years	\$ 234,578	\$ (1,846,487)	\$ 15,614
Set-aside Reserve Balances as of June 30, 2007	\$ 234,578	\$ 0	\$ 15,614

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 \$250,192.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007.

The Page Intentionally Left Blank.

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited**

This discussion and analysis of the Mississinawa Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for fiscal year 2006 are as follows:

Total net assets were \$1,207,636. Net assets of governmental activities increased \$310,337, or approximately 44 percent.

Net assets of business-type activities increased \$43,943, or about 29 percent.

The total change in net assets was an increase of \$354,280.

Using the Basic Financial Statements

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 District's modified cash basis of accounting.

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the 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.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The 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 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.

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited**

Reporting the District as a Whole

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

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for the District's programs. 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 the program.

These statements report the 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 District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the condition of the District's capital assets and the reliance on non-local financial resources for operations.

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.

Reporting the 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, 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.

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited**

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.

The District as a Whole

Table 1 provides a summary of the District's net assets for 2006 compared to 2005 on a modified cash basis:

	Governmental Activities		Business-Type Activities		Total	
	FY 06	FY 05	FY 06	FY 05	FY 06	FY 05
Assets						
Equity in Pooled Cash, Cash Equivalents and Investments	\$1,005,338	\$693,145	\$195,406	\$151,463	\$1,200,744	\$844,608
Cash and Cash Equivalents with Fiscal Agents	6,892	8,748	0	0	6,892	8,748
Total Assets	1,012,230	701,893	195,406	151,463	1,207,636	853,356
Net Assets						
Restricted for:						
Other Purposes	454,480	404,411	0	0	454,480	404,411
Debt Service	102,085	98,212	0	0	102,085	98,212
Capital Outlay	164,087	111,249	0	0	164,087	111,249
Unrestricted	291,578	88,021	195,406	151,463	486,984	239,484
Total Net Assets	\$1,012,230	\$701,893	\$195,406	\$151,463	\$1,207,636	\$853,356

Total net assets increased \$354,280. Net assets of governmental activities increased \$310,337 or about 44 percent during fiscal year 2006. The primary reason for the increase in cash balances were reductions in staffing levels and a zero percent pay increase for all employees for one year.

Net assets of business-type activities increased \$43,943 due primarily to the zero percent increase in pay and a small increase in fees.

Table 2 reflects the changes in net assets in fiscal year 2006, and a comparative balance to fiscal year 2005.

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited**

Table 2 Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 06	FY 05	FY 06	FY 05	FY 06	FY 05
Program Receipts:						
Charges for Services	\$400,913	\$351,839	\$183,103	\$176,724	\$584,016	\$528,563
Operating Grants and Contributions	654,035	620,660	129,062	97,955	783,097	718,615
Capital Grants and Contributions	4,692	8,800	0	0	4,692	8,800
Total Program Receipts	<u>1,059,640</u>	<u>981,299</u>	<u>312,165</u>	<u>274,679</u>	<u>1,371,805</u>	<u>1,255,978</u>
General Receipts:						
Property Taxes	1,181,484	1,184,075	0	0	1,181,484	1,184,075
Income Taxes	465,422	458,522	0	0	465,422	458,522
Grants and Entitlements	3,771,491	3,638,702	0	0	3,771,491	3,638,702
Investment Earnings	39,359	20,143	448	225	39,807	19,675
Other	10,899	21,204	4,833	4,914	15,732	26,118
Total General Receipts	<u>5,468,655</u>	<u>5,322,646</u>	<u>5,281</u>	<u>5,139</u>	<u>5,473,936</u>	<u>5,327,092</u>
Total Receipts	<u>6,528,295</u>	<u>6,303,945</u>	<u>317,446</u>	<u>279,818</u>	<u>6,845,741</u>	<u>6,583,070</u>
Disbursements:						
Instruction:						
Regular	2,211,151	2,292,945	0	0	2,211,151	2,292,945
Special	783,621	776,475	0	0	783,621	776,475
Vocational	126,444	145,621	0	0	126,444	145,621
Other	382,396	300,251	0	0	382,396	376,732
Support Services:						
Pupil	307,170	323,517	0	0	307,170	323,517
Instructional Staff	386,295	413,527	0	0	386,295	413,527
Board of Education	7,468	10,583	0	0	7,468	10,583
Administration	527,240	553,097	0	0	527,240	553,097
Fiscal	185,262	178,467	0	0	185,262	178,467
Business	3,695	6,896	0	0	3,695	6,896
Oper. & Mtce of Plant	536,268	566,306	0	0	536,268	566,306
Transportation	287,891	321,318	0	0	287,891	321,318
Central	18,348	16,390	0	0	18,348	16,390
Extracurricular Activities	222,981	220,192	0	0	222,981	220,192
Debt Service: Principal	145,084	137,737	0	0	145,084	65,000
Debt Service: Interest	86,644	92,384	0	0	86,644	88,640
Food Service	0	0	235,971	237,528	235,971	237,528
Uniform Supplies	0	0	37,532	35,770	37,532	35,770
Total Disbursements	<u>6,217,958</u>	<u>6,355,706</u>	<u>273,503</u>	<u>273,298</u>	<u>6,491,461</u>	<u>6,629,004</u>
Change in Net Assets	<u>310,337</u>	<u>(51,761)</u>	<u>43,943</u>	<u>6,520</u>	<u>354,280</u>	<u>(45,934)</u>
Beginning Fund Balance	<u>701,893</u>	<u>753,654</u>	<u>151,463</u>	<u>144,943</u>	<u>853,356</u>	<u>899,290</u>
Ending Fund Balance	<u>1,012,230</u>	<u>701,893</u>	<u>195,406</u>	<u>151,463</u>	<u>1,07,636</u>	<u>853,356</u>

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited**

Governmental Activities

The largest sources of receipts for governmental activities are unrestricted grants and entitlements which accounted for about 58 percent of the total cash received during the year. Property and income taxes accounted for an additional 25 percent of receipts.

Instruction accounted for approximately 56 percent of total cash disbursements for fiscal year 2006, with Regular Instruction making up the largest share at about 36 percent of total disbursements. Pupil and Instructional Staff support services accounted for about 11 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 4 percent of total disbursements.

Business-Type Activities

Net assets for business-type activities increased by \$43,943 during fiscal year 2006. Charges for services were the largest source of receipts, accounting for about 58 percent of total business-type activities receipts. Operating grants and contributions accounted for another 41 percent of receipts.

Statement of Activities

If you look at the Statement of Activities on page 51, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, restricted State entitlements and investment earnings. A comparative analysis to fiscal year 2005 is also presented.

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited**

	FY 06		FY 05	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction:				
Regular	\$2,211,151	\$1,951,353	\$2,292,945	\$2,062,793
Special	783,621	519,791	776,475	533,681
Vocational	126,444	95,752	145,621	118,747
Other	382,396	381,161	300,251	398,826
Support Services:				
Pupils	307,170	102,501	323,517	130,484
Instructional Staff	386,295	296,483	413,527	322,594
Board of Education	7,468	7,468	10,583	10,583
Administration	527,240	482,974	553,097	511,949
Fiscal	185,262	124,737	178,467	141,295
Business	3,695	3,695	6,896	6,896
Operation and Maintenance of Plant	536,268	535,783	566,306	566,133
Transportation	287,891	280,333	321,318	305,361
Central	18,348	18,348	16,390	16,390
Extracurricular Activities	222,981	126,211	220,192	118,554
Debt Service:				
Principal	145,084	145,084	137,737	137,737
Interest	86,644	86,644	92,384	92,384
Total Disbursements	<u>\$6,217,958</u>	<u>\$5,158,318</u>	<u>\$6,355,706</u>	<u>\$5,474,407</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 relies on these receipts to furnish the services it provides to students.

The District's Funds

Information about the District's major governmental funds begins on page 52. All governmental funds had total receipts of \$6,528,745 and total disbursements of \$6,218,408. The General Fund is the chief operating fund of the District. At the end of fiscal year 2006, unreserved fund balance of the General Fund was \$115,510. The greatest change within the funds occurred in the General Fund which had an increase of \$252,887 in fund balance due to changes in staffing levels and a zero increase in pay for all employees.

Information about the District's enterprise funds begins on page 55. The enterprise funds had an operating loss of \$85,567 for fiscal year 2006. However, due to the federal and state subsidies and interest, the enterprise funds had an increase in net assets of \$43,943 for fiscal year 2006.

**Mississinawa Valley Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited**

Major Funds 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 receipts, disbursements and encumbrances. The District's budget is adopted on a line item basis. The Board of Education adopts the budget at the fund and function level (i.e., General Fund – Regular Instruction).

During fiscal year 2006, the General Fund had original appropriations of \$5,632,851 and final appropriations of \$5,433,449. Actual expenditures plus encumbrances were \$5,430,668. Original estimated receipts were \$5,564,505 and final estimated receipts were \$5,506,935. Actual receipts for fiscal year 2006 were \$5,507,486.

Capital Assets

The District tracks its capital assets on the State EIS system.

Debt

At June 30, 2006, the School District had \$1,545,000 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 \$6,343. This note is being paid from the General Fund. For more information on the School District's debt see Note 12 of the notes to the basic financial statements.

Current Financial Issues and Concerns

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Mississinawa Valley recently passed an income tax levy in May of 2006. This income tax will help offset the reductions in state revenue.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Nick Hamilton, Treasurer, Mississinawa Valley Local School District, 1469 State Route 47, Union City, OH 45390.

**Mississinawa Valley Local School District
Darke County
Statement of Net Assets - Modified Cash Basis
June 30, 2006**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 1,005,338	\$ 195,406	\$ 1,200,744
Cash and Cash Equivalents with Fiscal Agents	<u>6,892</u>	<u>0</u>	<u>6,892</u>
Total Assets	<u>\$ 1,012,230</u>	<u>\$ 195,406</u>	<u>\$ 1,207,636</u>
Net Assets			
Restricted for:			
Debt Service	\$ 102,085	\$ 0	\$ 102,085
Capital Outlay	164,087	0	164,087
Other Purposes	454,480	0	454,480
Unrestricted	<u>291,578</u>	<u>195,406</u>	<u>486,984</u>
Total Net Assets	<u>\$ 1,012,230</u>	<u>\$ 195,406</u>	<u>\$ 1,207,636</u>

See accompanying notes to the basic financial statements

**Mississinawa Valley Local School District
Darke County
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2006**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction:							
Regular	\$ 2,211,151	\$ 167,974	\$ 91,824	\$ 0	\$ (1,951,353)	\$ 0	\$ (1,951,353)
Special	783,621	33,161	230,669	0	(519,791)	0	(519,791)
Vocational	126,444	1,178	29,514	0	(95,752)	0	(95,752)
Other	382,396	1,235	0	0	(381,161)	0	(381,161)
Support Services:							
Pupil	307,170	0	204,669	0	(102,501)	0	(102,501)
Instructional Staff	386,295	0	89,812	0	(296,483)	0	(296,483)
Board of Education	7,468	0	0	0	(7,468)	0	(7,468)
Administration	527,240	39,585	4,681	0	(482,974)	0	(482,974)
Fiscal	185,262	60,525	0	0	(124,737)	0	(124,737)
Business	3,695	0	0	0	(3,695)	0	(3,695)
Operation and Maintenance of Plant	536,268	485	0	0	(535,783)	0	(535,783)
Pupil Transportation	287,891	0	2,866	4,692	(280,333)	0	(280,333)
Central	18,348	0	0	0	(18,348)	0	(18,348)
Extracurricular Activities	222,981	96,770	0	0	(126,211)	0	(126,211)
Debt Service:							
Principal	145,084	0	0	0	(145,084)	0	(145,084)
Interest	86,644	0	0	0	(86,644)	0	(86,644)
<i>Total Governmental Activities</i>	6,217,958	400,913	654,035	4,692	(5,158,318)	0	(5,158,318)
Business Type Activity							
Lunchroom	235,971	144,988	129,062	0	0	38,079	38,079
Uniform Supplies	37,532	38,115	0	0	0	583	583
<i>Total Business-Type Activities</i>	273,503	183,103	129,062	0	0	38,662	38,662
Totals	\$ 6,491,461	\$ 584,016	\$ 783,097	\$ 4,692	\$ (5,158,318)	\$ 38,662	\$ (5,119,656)
General Receipts							
Property Taxes Levied for:							
General Purposes					\$ 951,375	\$ 0	\$ 951,375
Debt Service					143,939	0	143,939
Capital Outlay					63,652	0	63,652
Classroom Maintenance					22,518	0	22,518
Income Taxes Levied for General Purposes					465,422	0	465,422
Grants and Entitlements not Restricted to Specific Programs					3,771,491	0	3,771,491
Interest					39,359	448	39,807
Miscellaneous					10,899	4,833	15,732
<i>Total General Receipts</i>					5,468,655	5,281	5,473,936
Change in Net Assets					310,337	43,943	354,280
<i>Net Assets Beginning of Year</i>					701,893	151,463	853,356
<i>Net Assets End of Year</i>					\$ 1,012,230	\$ 195,406	\$ 1,207,636

See accompanying notes to the basic financial statements

Mississinawa Valley Local School District
Darke County
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
As of June 30, 2006

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 291,578	\$ 102,085	\$ 147,072	\$ 257,646	\$ 798,381
Cash and Cash Equivelant with Fiscal Agent	0	0	0	6,892	6,892
Restricted Asset:					
Equity in Pooled Cash and Cash Equivalents	<u>206,957</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>206,957</u>
<i>Total Assets</i>	<u>\$ 498,535</u>	<u>\$ 102,085</u>	<u>\$ 147,072</u>	<u>\$ 264,538</u>	<u>\$ 1,012,230</u>
Fund Balances					
Reserved for Encumbrances	176,068	0	20,888	21,017	217,973
Reserved for Textbooks and Instructional Materials	185,775	0	0	0	185,775
Reserved for School Bus Purchase	5,568	0	0	0	5,568
Reserved for Budget Stabilization	15,614	0	0	0	15,614
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	115,510	0	0	0	115,510
Special Revenue Funds	0	0	0	231,306	231,306
Debt Service Fund	0	102,085	0	0	102,085
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>126,184</u>	<u>12,215</u>	<u>138,399</u>
<i>Total Fund Balances</i>	<u>\$ 498,535</u>	<u>\$ 102,085</u>	<u>\$ 147,072</u>	<u>\$ 264,538</u>	<u>\$ 1,012,230</u>

See accompanying notes to the basic financial statements

Mississinawa Valley Local 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, 2006

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$ 951,375	\$ 143,939	\$ 63,652	\$ 22,518	\$ 1,181,484
Income Tax	465,422	0	0	0	465,422
Intergovernmental	3,776,217	18,322	8,272	624,085	4,426,896
Interest	38,912	0	0	447	39,359
Tuition and Fees	197,009	0	0	0	197,009
Extracurricular Activities	0	0	0	136,355	136,355
Contributions and Donations	0	0	0	3,322	3,322
Rent	6,025	0	0	0	6,025
Miscellaneous	68,800	0	0	0	68,800
<i>Total Receipts</i>	<u>\$ 5,503,760</u>	<u>\$ 162,261</u>	<u>\$ 71,924</u>	<u>\$ 786,727</u>	<u>\$ 6,524,672</u>
Disbursements					
Current:					
Instruction:					
Regular	2,109,791	0	0	101,360	2,211,151
Special	560,816	0	0	222,805	783,621
Vocational	118,318	0	8,126	0	126,444
Other	382,396	0	0	0	382,396
Support Services:					
Pupil	111,307	0	0	195,863	307,170
Instructional Staff	293,624	0	0	92,671	386,295
Board of Education	7,468	0	0	0	7,468
Administration	487,520	0	0	39,720	527,240
Fiscal	180,226	3,140	1,404	492	185,262
Business	3,695	0	0	0	3,695
Operation and Maintenance of Plant	498,822	0	15,219	22,227	536,268
Pupil Transportation	285,161	0	60	2,670	287,891
Central	18,348	0	0	0	18,348
Extracurricular Activities	120,627	0	0	102,354	222,981
Debt Service:					
Principal	75,084	70,000	0	0	145,084
Interest	1,396	85,248	0	0	86,644
<i>Total Disbursements</i>	<u>5,254,599</u>	<u>158,388</u>	<u>24,809</u>	<u>780,162</u>	<u>6,217,958</u>
<i>Excess of Receipts Over (Under)</i> <i>Disbursements</i>	<u>249,161</u>	<u>3,873</u>	<u>47,115</u>	<u>6,565</u>	<u>306,714</u>
Other Financing Sources (Uses)					
Advances In	450	0	0	0	450
Advances Out	0	0	0	(450)	(450)
Refund of Prior Year Expenditures	3,276	0	347	0	3,623
<i>Total Other Financing Sources</i>	<u>3,726</u>	<u>0</u>	<u>347</u>	<u>(450)</u>	<u>3,623</u>
<i>Net Change in Fund Balances</i>	252,887	3,873	47,462	6,115	310,337
<i>Fund Balances Beginning of Year</i>	<u>245,648</u>	<u>98,212</u>	<u>99,610</u>	<u>258,423</u>	<u>701,893</u>
<i>Fund Balances End of Year</i>	<u>\$ 498,535</u>	<u>\$ 102,085</u>	<u>\$ 147,072</u>	<u>\$ 264,538</u>	<u>\$ 1,012,230</u>

See accompanying notes to the basic financial statements

Mississinawa Vally Local School District
Darke County
Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 961,330	\$ 951,377	\$ 951,375	\$ (2)
Income Taxes	470,291	465,422	465,422	0
Intergovernmental	3,806,930	3,767,516	3,776,217	8,701
Tuition and Fees	199,071	197,010	197,009	(1)
Interest	38,753	38,352	38,912	560
Rent	6,088	6,025	6,025	0
Miscellaneous	78,138	77,329	68,800	(8,529)
<i>Total Revenues</i>	<u>5,560,601</u>	<u>5,503,031</u>	<u>5,503,760</u>	<u>729</u>
Expenditures				
Current:				
Instruction:				
Regular	2,169,850	2,125,310	2,125,302	8
Special	608,298	563,548	563,540	8
Vocational	128,033	118,622	118,618	4
Other	402,119	398,945	398,943	2
Support Services:				
Pupil	118,262	115,434	114,810	624
Instructional Staff	318,889	315,344	315,338	6
Board of Education	10,347	7,533	7,532	1
Administration	498,054	494,028	493,997	31
Fiscal	202,236	209,553	209,553	0
Business	7,100	3,695	3,695	0
Operation and Maintenance of Plant	537,257	518,766	516,961	1,805
Pupil Transportation	395,354	346,087	345,994	93
Central	19,211	19,376	19,181	195
Extracurricular Activities	141,361	120,728	120,724	4
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	75,084	75,084	75,084	0
Interest and Fiscal Charges	1,396	1,396	1,396	0
<i>Total Expenditures</i>	<u>5,632,851</u>	<u>5,433,449</u>	<u>5,430,668</u>	<u>2,781</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(72,250)</u>	<u>69,582</u>	<u>73,092</u>	<u>3,510</u>
Other Financing Sources				
Refund of Prior Year Expenditures	3,454	3,454	3,276	(178)
Advances In	450	450	450	0
<i>Total Other Financing Sources</i>	<u>3,904</u>	<u>3,904</u>	<u>3,726</u>	<u>(178)</u>
<i>Net Change in Fund Balance</i>	<u>(68,346)</u>	<u>73,486</u>	<u>76,818</u>	<u>3,332</u>
<i>Fund Balance Beginning of Year</i>	<u>99,157</u>	<u>99,157</u>	<u>99,157</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>146,492</u>	<u>146,492</u>	<u>146,492</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 177,303</u>	<u>\$ 319,135</u>	<u>\$ 322,467</u>	<u>\$ 3,332</u>

See accompanying notes to the basic financial statements

Mississinawa Vally Local School District
Darke County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
As of June 30, 2006

	Business-Type Activities Enterprise Funds		
	Food Service	All Other Enterprise Funds	Total
Current Assets			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 168,622	\$ 26,784	\$ 195,406
	\$ 168,622	\$ 26,784	\$ 195,406
Net Assets			
Unrestricted	\$ 168,622	\$ 26,784	\$ 195,406
	\$ 168,622	\$ 26,784	\$ 195,406

See accompanying notes to the basic financial statements

**Mississinawa Valley Local 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, 2006**

	Business-Type Activities Enterprise Funds		
	Food Service	All Other Enterprise Funds	Total
Operating Receipts			
Sales	\$144,988	\$38,115	\$183,103
Other Revenues	4,833	0	4,833
<i>Total Operating Revenues</i>	<u>149,821</u>	<u>38,115</u>	<u>187,936</u>
Operating Disbursements			
Salaries	99,726	0	99,726
Fringe Benefits	41,204	0	41,204
Purchased Services	3,905	0	3,905
Materials and Supplies	79,230	37,532	116,762
Other	11,792	0	11,792
Capital Outlay	114	0	114
<i>Total Operating Expenses</i>	<u>235,971</u>	<u>37,532</u>	<u>273,503</u>
<i>Operating Income (Loss)</i>	<u>(86,150)</u>	<u>583</u>	<u>(85,567)</u>
Non-Operating Revenues			
Interest	448	0	448
Federal Subsidies	129,062	0	129,062
<i>Total Non-Operating Revenues</i>	129,510	0	129,510
<i>Change in Net Assets</i>	43,360	583	43,943
<i>Net Assets Beginning of Year</i>	<u>125,262</u>	<u>26,201</u>	<u>151,463</u>
<i>Net Assets End of Year</i>	<u><u>\$168,622</u></u>	<u><u>\$26,784</u></u>	<u><u>\$195,406</u></u>

See accompanying notes to the basic financial statements

**Mississinawa Valley Local School District
Darke County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2006**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 3,880	\$ 31,204
Investments in Segregated Accounts	386,163	0
<i>Total Assets</i>	\$ 390,043	\$ 31,204
Liabilities		
Due to Students	0	31,204
Net Assets		
Held in Trust for Scholarships	390,043	
	\$ 390,043	

See accompanying notes to the basic financial statements

Mississinawa Valley Local School District
Darke County
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust
Additions	
Interest	\$ 12,945
Deductions	
Scholarships	12,367
Change in Net Assets	578
Net Assets - Beginning of Year	389,465
Net Assets - End of Year	\$ 390,043

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006**

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, 2006**

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.

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, 2006**

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, 2006**

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, 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, 2006**

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 2006. 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 2006 was \$38,912, including \$27,539 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, 2006, 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, 2006**

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

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

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, 2006**

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, 2006**

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, 2006, the School District had "Cash and Cash Equivalents with Fiscal Agents" of \$6,892. 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 District'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, 2006, the carrying amount of the School District's deposits were \$1,144,778. Cash balances per the bank were \$1,220,435. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$820,435 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, 2006**

3. DEPOSITS AND INVESTMENTS (continued)

B. Investments

As of June 30, 2006, 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	\$ 90,960
Federal Home Loan Mortgage Corporation Note	10/26/07 *	386,163
Total		<u>\$477,123</u>

*These bonds mature 10/26/07 but are callable 10/26/06

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, 2006.

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issuer. 79% of the District's investments at June 30, 2006, were in the Federal Home Loan Mortgage Corporation and 21% 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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed valued listed as of January 1, 2005, 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, 2006**

4. PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005, and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. 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, 2006, are available to finance fiscal year 2006 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, 2006 was \$137,586 in the General Fund, \$21,363 in the Bond Retirement Fund and \$9,023 in the Permanent Improvement Fund.

The assessed valued upon which fiscal year 2006 taxes were collected are:

	2005 Second-Half Collections		2006 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,557,560	92.85%	\$49,547,310	93.99%
Public Utility Personal	2,173,140	4.34	3,168,000	6.01
Tangible Personal Property	1,410,060	2.81	0	0.00
Total	\$50,140,760	100.00%	\$52,715,310	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	 \$34.60		 \$35.10	

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 2006 were \$465,422.

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:

General Fund	
Net Change in Fund Balance	
Modified Cash Basis	\$ 252,887
Adjustment for Encumbrances	<u>(176,069)</u>
Budget Basis	<u><u>76,818</u></u>

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 2006, the School District contracted with Mangas Insurance for property and fleet, general liability, boiler and machinery, crime, and inland marine insurance.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

7. RISK MANAGEMENT, (continued)

A. Property and Liability, (continued)

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 2006, 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, 2006**

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 2006, 10.58 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, 2006, 2005 and 2004 were \$71,839, \$96,889, and \$90,277 respectively; 40 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

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.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; 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, 2006, 2005, and 2004 were \$343,586, \$354,447 and \$337,382 respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$4,187 made by the School District and \$8,457 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, 2006**

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, 2006, 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, 2006, 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 \$26,430 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of .01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$39,000.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006, (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus ninety, not to exceed 220 days for all employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 55 days for certified and classified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to classified employees through the Community Life Insurance Company, and medical, surgical, dental and vision insurance through Anthem PPO Blue Cross Blue Shield to all employees.

C. Deferred Compensation Plan

Employees may elect to participate in the Ohio Association of School Business Officials Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Principal Outstanding 06/30/2006	Additions	Reductions	Principal Outstanding 6/30/2006
National School Fitness Foundation Note 2004 3.027%	\$ 81,427	\$ 0	\$ 75,084	\$ 6,343
Classroom Facilities Bonds 2000 4.80 – 6.00%	1,662,827	14,014	70,000	1,606,841
Total General Long-Term Obligations	\$ 1,744,254	\$ 14,014	\$ 145,084	\$ 1,613,184

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 Ending June 30,	Principal	Interest	Total
2007	6,376	16	6,392
Total	\$ 6,376	\$ 16	\$ 6,392

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 \$14,014 in fiscal year 2006, and \$47,827 in fiscal years prior to 2006.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

11. LONG-TERM OBLIGATIONS (continued)

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

<u>Year</u>	<u>Amount to be Redeemed</u>
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:

<u>Fiscal Year Ending June 30,</u>	Classroom Facilities General Obligation Bonds					
	<u>Serial Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Term Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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
2010	90,000	64,463	0	0	0	0
2011-2015	95,000	31,027	49,998	250,002	100,000	256,291
2016-2020	0	0	0	0	600,000	170,651
2021-2023	0	0	0	0	290,000	16,962
Total	<u>\$ 505,000</u>	<u>\$ 397,230</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, 2006**

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 \$34,303 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood 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 2006, the School District paid \$3,045 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, 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, 2006**

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 2006, the School District paid \$2,446 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, 2006**

14. SET-ASIDE CALCULATIONS (continued)

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2005	\$ 141,213	\$ (1,925,374)	\$ 15,614
Current Year Set-aside Requirement	101,982	101,982	0
Current Year Offsets	0	(63,652)	0
Qualifying Disbursements	<u>(57,420)</u>	<u>(633)</u>	<u>0</u>
Set-aside Balances Carried Forward to Subsequent Years	\$ <u>185,775</u>	\$ <u>(1,887,677)</u>	\$ <u>15,614</u>
Set-aside Reserve Balances as of June 30, 2006	<u>\$ 185,775</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 \$201,389.

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, 2006.

The Page Intentionally Left Blank.

**MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
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, 2007 and 2006, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 16, 2007, wherein we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiency described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Internal Control Over Financial Reporting, (continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-001 is also material weaknesses.

We noted certain matters that we reported to the District's management in a separate letter dated December 16, 2007.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-001.

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.

Manning & Associates CPAs, LLC
Dayton, Ohio

December 16, 2007

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

FINDING NUMBER 2007-001

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.

Also, the District failed to file the annual report with the Auditor of State for fiscal years 2006 and 2007 within the 60 days for cash basis entities and 150 days for GAAP-basis entities; which could lead to a penalty assessed by the Auditor of State.

Officials Response: No response was received.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	Ohio Admin. Code 117-2-03(B) the School District did not prepare its annual financial report in accordance with generally accepted accounting principles	No	Not Corrected; Reissued as 2007-001



Mary Taylor, CPA
Auditor of State

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
APRIL 15, 2008**