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

Basic Financial Statements

June 30, 2010

(with Independent Auditors' Report)



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Mad River Local School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 28, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mad River Local School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mad River Local School District, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 and the budgetary comparison schedule and notes on pages 44 through 46 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 13, 2010

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

The discussion and analysis of Mad River Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- Net assets of governmental activities decreased \$2,403,591 which represents a 3 % decrease from 2009.
- General revenues accounted for \$31,451,323 in revenue or 74% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11,108,920 or 26% of total revenues of \$42,560,243 .
- The District had \$44,963,834 in expenses related to governmental activities; \$11,108,920 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$31,451,323 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the District presents:

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

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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

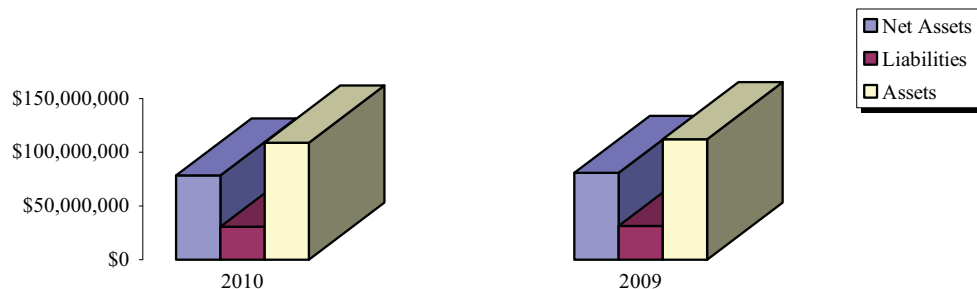
**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2010 compared to 2009:

Table 1
Net Assets

	Governmental Activities	
	2010	2009
Assets:		
Current and Other Assets	\$29,910,580	\$31,413,274
Capital Assets	78,970,401	80,637,386
Total Assets	108,880,981	112,050,660
Liabilities:		
Other Liabilities	13,494,104	13,557,347
Long-Term Liabilities	17,021,340	17,724,185
Total Liabilities	30,515,444	31,281,532
Net Assets:		
Invested in Capital Assets, Net of Related Debt	65,139,660	65,914,300
Restricted	5,627,172	3,332,748
Unrestricted	7,598,705	11,522,080
Total Net Assets	\$78,365,537	\$80,769,128



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$78,365,537.

At year-end, capital assets represented 73% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2010, was \$65,139,660. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

A portion of the District's net assets, \$5,627,172 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets decreased from 2009 to 2010 mainly due to a decrease in equity in pooled cash and investments as well as capital assets due to depreciation being greater than current year additions. Long-Term Liabilities decreased mainly due to the District making regularly scheduled debt payments.

Table 2 shows the changes in net assets for fiscal years 2010 and 2009.

Table 2
Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues:		
Program Revenues		
Charges for Services	\$1,982,768	\$1,867,980
Operating Grants, Contributions	9,126,152	7,776,144 *
General Revenues:		
Property Taxes	9,725,427	9,887,146
Grants and Entitlements	21,300,001	21,514,214 *
Other	425,895	832,621
Total Revenues	<u>42,560,243</u>	<u>41,878,105</u>
Program Expenses:		
Instruction	25,005,106	24,831,151
Support Services:		
Pupil and Instructional Staff	5,830,739	4,674,748
School Administrative, General Administration, Fiscal and Business	3,957,109	3,673,169
Operations and Maintenance	4,286,224	4,226,946
Pupil Transportation	1,462,191	1,648,023
Central	383,860	273,263
Operation of Non-Instructional Services	2,461,390	2,350,481
Extracurricular Activities	657,319	550,190
Interest and Fiscal Charges	919,896	787,381
Total Program Expenses	<u>44,963,834</u>	<u>43,015,352</u>
Change in Net Assets	(2,403,591)	(1,137,247)
Net Assets Beginning of Year	<u>80,769,128</u>	<u>81,906,375</u>
Net Assets End of Year	<u>\$78,365,537</u>	<u>\$80,769,128</u>

* - \$2,422,322 was reclassified from grants and entitlements to operating grants, contributions.

**Mad River Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

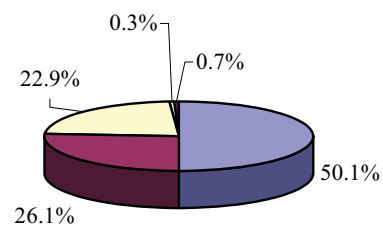
Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general, special revenue, and debt service purposes, and grants and entitlements comprised 73% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 23% of revenue for governmental activities for the District in fiscal year 2010.

<u>Revenue Sources</u>	<u>2010</u>	<u>Percent of Total</u>
General Grants	\$21,300,001	50.05%
Program Revenues	11,108,920	26.10%
General Tax Revenues	9,725,427	22.85%
Investment Earnings	141,998	0.33%
Other Revenues	283,897	0.67%
	<u>\$42,560,243</u>	<u>100.00%</u>



Instruction comprises 55.6% of governmental program expenses. Support services expenses were 35.4% of governmental program expenses. All other expenses including interest expense were 9.0%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District had a decrease in tax revenue mainly due to a decrease in property tax receipts and a decrease in the amount available for advance at year end. Instructional, pupil and instructional staff expenses increased mainly due to an increase in personnel costs and general inflationary factors.

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

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$25,005,106	\$24,831,151	(\$18,537,774)	(\$21,801,430)
Support Services:				
Pupil and Instructional Staff	5,830,739	4,674,748	(4,994,657)	(4,103,365)
School Administrative, General				
Administration, Fiscal and Business	3,957,109	3,673,169	(3,703,546)	(3,444,029)
Operations and Maintenance	4,286,224	4,226,946	(3,405,820)	(4,226,946)
Pupil Transportation	1,462,191	1,648,023	(1,345,615)	(854,689)
Central	383,860	273,263	(381,325)	(261,758)
Operation of Non-Instructional Services	2,461,390	2,350,481	(79,789)	(26,974)
Extracurricular Activities	657,319	550,190	(486,492)	(286,978)
Interest and Fiscal Charges	919,896	787,381	(919,896)	(787,381)
Total Expenses	<u>\$44,963,834</u>	<u>\$43,015,352</u>	<u>(\$33,854,914)</u>	<u>(\$35,793,550)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$22,021,192 (74%) of the total \$29,908,783 governmental funds assets.

General Fund: Fund balance at June 30, 2010 was \$9,828,408, a decrease in fund balance of \$957,007 from 2009. The primary reason for the decrease in the fund balance was due to a decrease in taxes (reimbursed by the state) and intergovernmental (less foundation monies received by the District) revenue from 2009.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2010, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was \$35,219,063, compared to final budget estimates of \$34,891,569. The difference between the original budget basis and final budget was \$327,494, which was mostly due to overestimates for taxes and intergovernmental revenue estimates.

The District's ending unobligated cash balance was \$12,847,026.

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the District had \$78,970,401 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2010 balances compared to fiscal 2009:

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

	Governmental Activities	
	2010	2009
Land	\$916,000	\$916,000
Buildings and Improvements	76,955,937	78,684,539
Equipment 1,098,464		1,036,847
	<u> </u>	<u> </u>
Total Net Capital Assets	<u><u>\$78,970,401</u></u>	<u><u>\$80,637,386</u></u>

Overall, net capital assets decreased mainly due to current depreciation expense exceeded current year additions.

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

Debt

At June 30, 2010, the District had \$14,943,138 in bonds and capital leases outstanding, \$1,048,758 due within one year. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2010	2009
Bonds and Leases Payables:		
Ohio School Facility Project Bond	\$4,540,000	\$5,250,000
Refunding Bonds:		
Current Interest Bonds		
Classroom Facilities	8,255,000	8,385,000
Capital Appreciation Bonds	20,000	20,000
Interest Accretion on Capital Appreciation Bonds	1,112,397	1,067,308
Accrued Premium on Refunding Bonds	21,745	23,245
Deferred Amount on Refunding Bonds	(636,278)	(680,159)
Capital Lease	<u>1,630,274</u>	<u>1,725,000</u>
	<u> </u>	<u> </u>
Total Bonds and Leases	<u><u>\$14,943,138</u></u>	<u><u>\$15,790,394</u></u>

See Notes 7-9 to the basic financial statements for further details on the District's long-term obligations.

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

For the Future

A challenge facing the District is the future of state funds. On December 11, 2002, the Ohio Supreme Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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

In July, 2009, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the funding for the OEBM started in FY10 by allocating the funding for each year based on 99% of the FY09 funding and 98% of the FY10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jerry Ellender, Treasurer at Mad River Local School District, 801 Harshman Road, Riverside, Ohio 45431. Or E-mail at jerry.ellender@madriverschools.org.

Mad River Local School District, Ohio
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$19,497,702
Receivables:	
Taxes	9,878,053
Accounts	41,077
Interest	4,962
Intergovernmental	348,059
Deferred Bond Issuance Costs	119,546
Inventory	21,181
Nondepreciable Capital Assets	916,000
Depreciable Capital Assets, Net	<u>78,054,401</u>
 Total Assets	 <u>108,880,981</u>
Liabilities:	
Accounts Payable	332,830
Accrued Wages and Benefits	4,330,290
Accrued Interest Payable	159,185
Unearned Revenue	8,597,804
Claims Payable	73,995
Long-Term Liabilities:	
Due Within One Year	1,398,949
Due In More Than One Year	<u>15,622,391</u>
 Total Liabilities	 <u>30,515,444</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	65,139,660
Restricted for:	
Debt Service	1,062,026
Capital Projects	2,295,648
Other Purposes	2,269,498
Unrestricted	<u>7,598,705</u>
 Total Net Assets	 <u><u>\$78,365,537</u></u>

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$16,915,069	\$756,022	\$665,836	(\$15,493,211)
Special	4,552,186	45,914	3,511,357	(994,915)
Vocational	2,018,743	0	1,121,142	(897,601)
Adult	28,546	0	0	(28,546)
Other	1,490,562	138,687	228,374	(1,123,501)
Support Services:				
Pupil	2,644,153	0	94,799	(2,549,354)
Instructional Staff	3,186,586	0	741,283	(2,445,303)
General Administration	75,920	0	0	(75,920)
School Administration	3,183,649	83,530	169,142	(2,930,977)
Fiscal	688,997	0	891	(688,106)
Business	8,543	0	0	(8,543)
Operations and Maintenance	4,286,224	10,855	869,549	(3,405,820)
Pupil Transportation	1,462,191	10,825	105,751	(1,345,615)
Central	383,860	0	2,535	(381,325)
Operation of Non-Instructional Services	2,461,390	766,108	1,615,493	(79,789)
Extracurricular Activities	657,319	170,827	0	(486,492)
Interest and Fiscal Charges	919,896	0	0	(919,896)
Total Governmental Activities	\$44,963,834	\$1,982,768	\$9,126,152	(33,854,914)

General Revenues:	
Property Taxes Levied for:	
General Purposes	8,411,378
Special Revenue Purposes	95,877
Debt Service Purposes	1,218,172
Grants and Entitlements not Restricted	21,300,001
Unrestricted Contributions	18,267
Investment Earnings	141,998
Other Revenues	265,630
Total General Revenues	31,451,323
Change in Net Assets	(2,403,591)
Net Assets Beginning of Year	80,769,128
Net Assets End of Year	\$78,365,537

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Balance Sheet
 Governmental Funds
 June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$13,340,907	\$6,156,795	\$19,497,702
Receivables:			
Taxes	8,530,899	1,347,154	9,878,053
Accounts	41,041	36	41,077
Interest	4,962	0	4,962
Intergovernmental	0	348,059	348,059
Interfund	103,383	14,366	117,749
Inventory	0	21,181	21,181
Total Assets	22,021,192	7,887,591	29,908,783
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	217,341	115,489	332,830
Accrued Wages and Benefits	3,828,114	502,176	4,330,290
Compensated Absences	0	168,138	168,138
Interfund Payable	0	117,749	117,749
Deferred Revenue	8,073,334	1,334,937	9,408,271
Claims Payable	73,995	0	73,995
Total Liabilities	12,192,784	2,238,489	14,431,273
Fund Balances:			
Reserved for Encumbrances	312,950	130,332	443,282
Reserved for Inventory	0	21,181	21,181
Reserved for Property Tax Advances	457,565	78,828	536,393
Unreserved, Undesignated, Reported in:			
General Fund	9,057,893	0	9,057,893
Special Revenue Funds	0	2,198,247	2,198,247
Debt Service Funds	0	938,533	938,533
Capital Projects Funds	0	2,281,981	2,281,981
Total Fund Balances	9,828,408	5,649,102	15,477,510
Total Liabilities and Fund Balances	\$22,021,192	\$7,887,591	\$29,908,783

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balance		\$15,477,510
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		78,970,401
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$743,856	
Intergovernmental	<u>66,611</u>	
		810,467
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(159,185)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,910,064)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		119,546
Long-term debt obligations, are not due and payable in the current period and therefore are not reported in the funds.		<u>(14,943,138)</u>
Net Assets of Governmental Activities		<u><u>\$78,365,537</u></u>

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$8,119,529	\$1,270,234	\$9,389,763
Tuition and Fees	315,463	286,217	601,680
Investment Earnings	141,403	595	141,998
Intergovernmental	24,331,401	6,530,627	30,862,028
Extracurricular Activities	31,723	221,656	253,379
Charges for Services	349,768	766,108	1,115,876
Other Revenues	196,450	99,281	295,731
Total Revenues	33,485,737	9,174,718	42,660,455
Expenditures:			
Current:			
Instruction:			
Regular	14,857,481	993,656	15,851,137
Special	2,563,351	1,752,921	4,316,272
Vocational	1,595,678	52,389	1,648,067
Adult	28,546	0	28,546
Other	1,173,491	317,071	1,490,562
Support Services:			
Pupil	2,462,921	134,224	2,597,145
Instructional Staff	2,374,738	737,267	3,112,005
General Administration	75,920	0	75,920
School Administration	2,850,437	323,611	3,174,048
Fiscal	672,097	14,830	686,927
Business	8,543	0	8,543
Operations and Maintenance	3,155,547	1,084,458	4,240,005
Pupil Transportation	1,428,600	491	1,429,091
Central	370,269	8,720	378,989
Operation of Non-Instructional Services	17,884	2,403,623	2,421,507
Extracurricular Activities	430,198	227,121	657,319
Capital Outlay	0	105,804	105,804
Debt Service:			
Principal Retirement	173,516	840,000	1,013,516
Interest and Fiscal Charges	85,344	579,653	664,997
Total Expenditures	34,324,561	9,575,839	43,900,400
Excess of Revenues Over (Under) Expenditures	(838,824)	(401,121)	(1,239,945)
Other Financing Sources (Uses):			
Issuance of Capital Leases	78,790	0	78,790
Proceeds from Sale of Capital Assets	3,027	0	3,027
Transfers In	0	200,000	200,000
Transfers (Out)	(200,000)	0	(200,000)
Total Other Financing Sources (Uses)	(118,183)	200,000	81,817
Net Change in Fund Balance	(957,007)	(201,121)	(1,158,128)
Fund Balance Beginning of Year	10,785,415	5,850,223	16,635,638
Fund Balance End of Year	\$9,828,408	\$5,649,102	\$15,477,510

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balance - Total Governmental Funds (\$1,158,128)

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$256,337	
Depreciation Expense	<u>(1,919,588)</u>	(1,663,251)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (3,734)

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

Delinquent Property Taxes	\$335,664	
Intergovernmental	<u>(435,876)</u>	(100,212)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,013,516

Interest expense in the statement of activities differs from the amount reported in governmental funds for two reasons. Additional accrued interest was calculated for bonds and notes payable, and the difference arising from the advance refunding due to premium and bond issuance costs.

Accrued Interest		(159,185)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(\$158,093)	
Amortization of Bond Issuance Cost	(8,244)	
Deferred Charges	(43,881)	
Amortization of Bond Premium	1,500	
Bond Accretion	<u>(45,089)</u>	(253,807)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (78,790)

Change in Net Assets of Governmental Activities (\$2,403,591)

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$1,954	\$61,156
Total Assets	<u>1,954</u>	<u>\$61,156</u>
Liabilities:		
Accounts Payable	0	2,437
Other Liabilities	<u>0</u>	<u>58,719</u>
Total Liabilities	<u>0</u>	<u>\$61,156</u>
Net Assets:		
Held in Trust	<u>1,954</u>	
Total Net Assets	<u><u>\$1,954</u></u>	

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust
Additions:	
Donations	\$848
Other	978
Total Additions	<u>1,826</u>
Deductions:	
Other	<u>1,500</u>
Total Deductions	<u>1,500</u>
Change in Net Assets	326
Net Assets Beginning of Year	<u>1,628</u>
Net Assets End of Year	<u><u>\$1,954</u></u>

See accompanying notes to the basic financial statements.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Note 1 – Description of the District

The Mad River Local School District (the “District”) is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services. Management believes the financial statements included in this report represent all of the funds of the District over which the Board of Education has the ability to exercise direct operating control.

Reporting Entity

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities. The District is associated with one organization that is defined as a jointly governed organization. This organization is the Metropolitan Dayton Educational Computer Association. This organization is presented in Note 18.

Note 2 – Summary of Significant Accounting Policies

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Measurement Focus

Government-wide Financial Statements

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information. The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private purpose trust fund is reported using the economic resources measurement focus.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a selfbalancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a private purpose trust fund which accounts for scholarship programs for students. The District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance and grants.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is represented as “Equity in Pooled Cash and Investments” on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2010 amounted to \$141,403 in the general fund and \$595 in other governmental funds.

Inventory

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

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of twenty-five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	5 - 50 years
Equipment and Vehicles	5 - 20 years

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vested payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due to the employee at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned year on bonus	Not Eligible	20 days per service	10-20 days for each year depending length of service – of maximum 5 days eligible
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable term	Used prior to ination term	Used prior to ination
<u>Sick Leave</u>			
How Earned of days	1 1/4 days per month employment (15 per year) days	1 1/4 days per month of employment (15 per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	300 days	300 days	300 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/4 paid upon retirement	1/4 paid upon retirement	1/4 paid upon retirement

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$5,627,172 restricted net assets reported at fiscal year end, none were restricted by enabling legislation.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

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

Fund Equity

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, inventory, and property tax advances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

Estimates

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Note 3 – Equity In Pooled Cash And Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2010, \$5,200 of the District's bank balance was exposed to custodial risk.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2010, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$7,439	0.00
STAROhio	7,968,819	0.15
Federal Home Loan Bank	5,210,051	1.25
Federal Home Loan Mortgage Corporation	625,018	1.65
Federal National Mortgage Association	751,049	1.65
Federal Home Loan Mortgage Corporation - Discount Note	512,837	0.97
Federal National Mortgage Association - Discount Note	1,583,244	0.36
	<u>\$16,658,457</u>	
Portfolio Weighted Average Maturity		0.66

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation – Discount Note, and Federal National Mortgage Association – Discount Note were rated AAA by Standard and Poor’s and Fitch ratings and Aaa by Moody’s Investors Service. STAROhio was rated AAAm by Standards & Poor’s, while the Money Market Fund was not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities as well as other investments permitted by Ohio Law. The District has invested less than 1% of the District’s investments in Money Market Funds, 48% in STAR Ohio, 31% in Federal Home Loan Bank, 5% in Federal National Mortgage Association, 4% in Federal Home Loan Mortgage Corporation, 3% in Federal Home Loan Mortgage Corporation - Discount Note, and 9% in Federal National Mortgage Association – Discount Note.

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

Note 4 – Property Taxes

Real property taxes collected in 2010 were levied in April on the assessed values as of January 1, 2009, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 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.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Real property taxes are payable annually or semi-annually. In 2010, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2010 and for which there is an enforceable legal claim. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2010. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2010, was \$457,565 for General Fund and \$78,828 for Other Governmental Funds. These amounts are recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2010 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$253,806,990
Public Utility Personal	<u>9,087,460</u>
Total	<u><u>\$262,894,450</u></u>

Note 5 – Receivables

Receivables at June 30, 2010, consisted of taxes, accounts, interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Beginning E Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$916,000	\$0	\$0	\$916,000
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	87,068,367	0	0	87,068,367
Equipment	<u>4,224,643</u>	<u>256,337</u>	<u>95,880</u>	<u>4,385,100</u>
Totals at Historical Cost	<u>92,209,010</u>	<u>256,337</u>	<u>95,880</u>	<u>92,369,467</u>
Less Accumulated Depreciation:				
Buildings and Improvements	8,383,828	1,728,602	0	10,112,430
Equipment	<u>3,187,796</u>	<u>190,986</u>	<u>92,146</u>	<u>3,286,636</u>
Total Accumulated Depreciation	<u>11,571,624</u>	<u>1,919,588</u>	<u>92,146</u>	<u>13,399,066</u>
Governmental Activities Capital Assets, Net	<u>\$80,637,386</u>	<u>(\$1,663,251)</u>	<u>\$3,734</u>	<u>\$78,970,401</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$984,772
Special	227,324
Vocational	363,006
Support Services:	
Pupil	82,699
Instructional Staff	69,144
Operations and Maintenance	83,652
Pupil Transportation	75,420
Operation of Non-Instructional Services	33,571
Total Depreciation Expense	<u>\$1,919,588</u>

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Note 7 - Long-Term Liabilities

	Interest Beg	inning	Issued	Retired	Ending	Due In
	Rate	Balance			Balance	One Year
Governmental Activities:						
Bonds:						
2002 School Facilities Project	5.15%	\$5,250,000	\$0	\$710,000	\$4,540,000	\$750,000
2006 Refunding Classroom Facilities - Current Interest	3.75-4.25%	8,385,000	0	130,000	8,255,000	135,000
2006 Refunding Classroom Facilities - Captial						
Appreciation Bonds	4.08-4.13%	20,000	0	0	20,000	0
Interest Accretion on Capital Appreciation Bonds		1,067,308	45,089	0	1,112,397	0
Premium on 2006 Refunding Bonds		23,245	0	1,500	21,745	0
Deferred Amount on 2006 Refunding Bonds	4.86%	(680,159)	0	(43,881)	(636,278)	0
Total Bonds		14,065,394	45,089	797,619	13,312,864	885,000
Capital Lease		1,725,000	78,790	173,516	1,630,274	163,758
Total Long Term Debt		15,790,394	123,879	971,135	14,943,138	1,048,758
Compensated Absences		1,933,791	509,897	365,486	2,078,202	350,191
Total Governmental Activities		\$17,724,185	\$633,776	\$1,336,621	\$17,021,340	\$1,398,949

General obligation bonds will be paid from the debt service fund. Capital lease will be paid out of the general fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$885,000	\$559,952	\$1,444,952	\$0	\$0	\$0
2012	935,000	523,014	1,458,014	0	0	0
2013	1,060,000	484,045	1,544,045	0	0	0
2014	1,110,000	438,625	1,548,625	0	0	0
2015	1,175,000	376,763	1,551,763	0	0	0
2016-2020	2,405,000	1,428,265	3,833,265	20,000	1,425,000	1,445,000
2021-2025	5,225,000	579,396	5,804,396	0	0	0
Total	\$12,795,000	\$4,390,060	\$17,185,060	\$20,000	\$1,425,000	\$1,445,000

Note 8 – Retirement Incentives

In addition to, and separate of severance pay, any qualifying employee who retires under any of Ohio's public employee retirement systems will receive a Retirement Incentive of Ten Thousand Dollars (\$10,000.00) if the employee has thirty (30) years of service credit or \$1,000 if the employee has thirty-one (31) or more years of service credit.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

To qualify for the \$10,000 incentive bonus, an employee must give written notice to the Director of Human Resources by no later than March 1 of the year he/she first becomes eligible for full retirement. To qualify for the \$1,000 bonus, an employee must file written notice to the Director of Human Resources by no later than March 1 of the year of retirement.

Further qualifications for the Retirement Incentive are as follows:

1. The employee must have completed no less than 5 consecutive years in paid status employment with the District, immediately preceding the effective date of retirement, and must be on paid status at the time of retirement.
2. Persons on disability retirement will not be eligible for either bonus.
3. The employee must have completed no less than 10 years of service for the Mad River School District by the effective date of retirement.
4. The effective date of retirement must be no earlier than after the last work day of the given school year, and must be no later than by June 30 of the year the notice was given.

An Employee who is eligible for retirement, as above, and misses his/her March 1 deadline for notice forfeits his/her right to receive either bonus. The amount of the bonus will not be included in any calculations to determine the employee's salary for retirement purposes. An Employee shall forfeit his/her right to either Retirement Incentive if his/her teaching contract is terminated for good and just cause. All Eligibility and qualification requirements are subject to verification.

The Board shall pay the \$10,000 Retirement Incentive in two equal installments. The first installment will be paid no later than by the following January 15; thereafter, the second installment will be paid by the following June 30. The Board shall pay the \$1,000 Retirement Incentive in the same payroll period as the severance pay.

Note 9 – Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. At June 30, 2010 \$8,895,000 of general obligation bonds are outstanding and considered defeased. The original maturities of these bonds were fiscal year 2016 through 2024 with a call date of December 1, 2012 for all outstanding bonds.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Note 10 – Capital Leases – Lessee Disclosure

In the current year the District entered into a new capital lease for musical instruments for \$78,790. In prior years the District entered into a lease with the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned National City Bank as trustee. The lease is renewable annually and expires in 2019. The intention of the District is to renew the lease annually. The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 4.47% plus an annual administrative fee.

The original amount of \$2,335,000 was capitalized as a building and improvement addition in 2006. The District made \$142,000 in principal payments for fiscal year 2010. The principal amount owed on the lease at year end is \$1,583,000.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010. The capital lease will be paid out of the general fund.

Fiscal Year Ending June 30	Principal
2011	\$235,129
2012	234,444
2013	234,474
2014	214,021
2015	213,429
2016-2019	848,109
Total Minimum Lease Payments	\$1,979,606
Amount Representing Interest and Additional program cost component	(349,332)
Present Value of Minimum Lease Payments	<u>\$1,630,274</u>

Note 11 – Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$870,396, \$805,152, and \$743,004, respectively; 50% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

State Teachers Retirement System of Ohio

Plan Description

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 is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2010, 2009, and 2008 were \$2,679,624, \$2,471,052, and \$2,435,076, respectively; 83% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

Note 12 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40; SERS' reimbursement to retirees was \$45.50.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2010, 2009 and 2008 were \$47,250, \$37,957 and \$36,008, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2010, the health care allocation was .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$140,367, \$321,423, and \$254,348, respectively; 50% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2010, 2009 and 2008. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2010, 2009, and 2008 were \$191,402, \$176,504, and \$173,934, respectively; 83% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

Note 13 – Contingent Liabilities

Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2010.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Litigation

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

Note 14 – Risk Management

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% co-insured with \$1,000 deductible.

Dental coverage is offered to employees through a self insurance program. Changes in claims activity for the current and prior fiscal year are as follows:

	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance End of Year</u>
2010	\$59,599	\$375,796	\$361,400	\$73,995
2009	64,427	335,016	339,844	59,599

There were no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the last three fiscal years.

Note 15 – Set-Aside Calculation

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2009	(\$1,904,969)	\$0
Current Year Set Aside Requirements	643,474	643,474
Qualified Disbursements	(646,633)	(339,374)
Current year Offsets	0	(14,789,656)
Set Aside Reserve Balance as of June 30, 2010	<u>(\$1,908,128)</u>	<u>(\$14,485,556)</u>
Restricted Cash as of June 30, 2010	<u>\$0</u>	<u>\$0</u>
Carried Forward as of June 30, 2010	<u>(\$1,908,128)</u>	

Offset credits for capital activity during the year exceeded the amount required for the set-aside, resulting in offset credits available for carryover to offset capital reserve requirements of future years. Qualifying disbursements and carryover from prior years for textbooks also exceeded the required setaside amount, resulting in carryover of \$1,908,128 to offset textbook requirements in future years.

Note 16 – Interfund Transactions

Interfund transactions at June 30, 2010, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$103,383	\$0	\$0	\$200,000
Other Governmental Funds	14,366	117,749	200,000	0
Total All Funds	<u>\$117,749</u>	<u>\$117,749</u>	<u>\$200,000</u>	<u>\$200,000</u>

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Note 17 – Accountability

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

Fund	<u>Amounts</u>
Special Revenue Funds:	
Special Education	\$130,766

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

Note 18 – Jointly Governed Organization

Metropolitan Dayton Educational Computer Association

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

Note 19 – Insurance Purchasing Pool/Public Entity Shared Risk Pool

Insurance Purchasing Pool

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust - The Southwestern Ohio Educational Purchasing Council Benefit Plan (the Plan) is a public entity shared risk pool consisting of 55 school districts. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental and vision insurance benefits to the employees of the participants. The Plan is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which plans offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Plan and payment of the monthly premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

REQUIRED SUPPLEMENTARY INFORMATION



Mad River Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$8,497,542	\$8,196,563	\$8,195,197	(\$1,366)
Tuition and Fees	357,522	381,753	295,734	(86,019)
Investment Earnings	409,355	409,355	128,569	(280,786)
Intergovernmental	25,796,828	25,296,828	24,331,401	(965,427)
Extracurricular Activities	32,320	69,400	31,723	(37,677)
Charges for Services	0	400,000	349,768	(50,232)
Other Revenues	125,496	137,670	175,138	37,468
Total Revenues	35,219,063	34,891,569	33,507,530	(1,384,039)
Expenditures:				
Current:				
Instruction:				
Regular	16,115,082	15,756,459	14,879,422	877,037
Special	3,172,134	3,223,105	2,580,035	643,070
Vocational	1,385,423	1,730,710	1,656,047	74,663
Other	1,260,529	1,265,770	1,216,651	49,119
Support Services:				
Pupil	2,547,785	2,658,228	2,541,833	116,395
Instructional Staff	2,666,047	2,694,284	2,503,906	190,378
General Administration	133,533	133,533	80,267	53,266
School Administration	3,160,955	3,162,051	2,878,872	283,179
Fiscal	198,972	813,568	677,000	136,568
Business	32,130	32,277	8,651	23,626
Operations and Maintenance	4,341,260	4,136,260	3,216,317	919,943
Pupil Transportation	1,706,269	1,770,939	1,498,517	272,422
Central	333,717	341,757	380,483	(38,726)
Operation of Non-Instructional Services	15,512	15,012	17,889	(2,877)
Extracurricular Activities	521,116	521,764	432,529	89,235
Debt Service:				
Principal Retirement	173,516	173,516	173,516	0
Interest and Fiscal Charges	85,344	85,344	85,344	0
Total Expenditures	37,849,324	38,514,577	34,827,279	3,687,298
Excess of Revenues Over (Under) Expenditures	(2,630,261)	(3,623,008)	(1,319,749)	2,303,259
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	20	20	3,027	3,007
Advances In	0	0	495,410	495,410
Transfers In	640	373,403	373,403	0
Transfers (Out)	0	(588,097)	(573,402)	14,695
Total Other Financing Sources (Uses)	660	(214,674)	298,438	513,112
Net Change in Fund Balance	(2,629,601)	(3,837,682)	(1,021,311)	2,816,371
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	13,868,337	13,868,337	13,868,337	0
Fund Balance End of Year	\$11,238,736	\$10,030,655	\$12,847,026	\$2,816,371

See accompanying notes to the required supplementary information.

Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2010

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2010.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2010

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$957,007)
Revenue Accruals	21,793
Expenditure Accruals	10,264
Issuance of Debt	(78,790)
Transfers In	373,403
Transfers Out	(373,402)
Advances In	495,410
Encumbrances	<u>(512,982)</u>
Budget Basis	<u><u>(\$1,021,311)</u></u>

MAD RIVER LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Pass Through Number	Receipts	Disbursements
U.S. Department of Agriculture:				
<i>Passed through Ohio Department of Education:</i>				
<u>Child Nutrition Cluster:</u>				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	10.555	N/A	\$ 92,405	\$ 92,405
<i>Cash Assistance:</i>				
National School Breakfast Program	10.553	05-PU	190,733	190,733
National School Lunch Program	10.555	LL-P4	839,739	839,739
National Summer Lunch Program	10.559	24-PU	62,402	62,402
<i>Cash Assistance Subtotal</i>			<u>1,092,874</u>	<u>1,092,874</u>
<i>Total Nutrition Cluster</i>			<u>1,185,279</u>	<u>1,185,279</u>
Total US Department of Agriculture			<u>1,185,279</u>	<u>1,185,279</u>
U.S. Department of Education:				
Impact Aid Grant	84.041	N/A	1,140,850	1,140,850
<i>Passed through Ohio Department of Education:</i>				
<u>Special Education Cluster:</u>				
Special Education Grants to States	84.027	6B-SF	779,979	952,788
Special Education Grants to States - ARRA	84.391	6B-SF	546,331	614,201
Special Education - Preschool Grants	84.173	PG-S1	31,359	32,894
Special Education - Preschool Grants - ARRA	84.392	PG-S1	18,943	16,060
<i>Total Special Education Cluster</i>			<u>1,376,612</u>	<u>1,615,943</u>
<u>Title I, Part A Cluster</u>				
Title I Grants to Local Education Agencies	84.010	C1-S1	924,069	1,155,905
Title I Grants to Local Education Agencies - ARRA	84.389	C1-S1	249,909	202,165
<i>Total Title I, Part A Cluster</i>			<u>1,173,978</u>	<u>1,358,070</u>
Vocational Education Grants	84.048	20-C1	83,532	125,086
Safe and Drug Free Schools and Communities	84.186	DR-S1	20,193	49,688
State Grants for Innovative Programs	84.298	C2-S1	-	9,021
Education Technology State Grants	84.318	TJ-S1	7,206	13,169
Improving Teacher Quality State Grants	84.367	TR-S1	158,758	191,926
State Fiscal Stabilization Fund - ARRA	84.394	NA	1,388,210	1,382,057
Total U.S. Department of Education			<u>5,349,339</u>	<u>5,885,810</u>
U.S. Department of Health and Human Services:				
<i>Passed through Ohio Department of Mental Retardation and Development Disabilities:</i>				
Title XIX - Medicaid Assistance Program	93.778	N/A	39,424	39,424
Total U.S. Department of Health and Human Services			<u>39,424</u>	<u>39,424</u>
Total Federal Assistance			<u>\$ 6,574,042</u>	<u>\$ 7,110,513</u>

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

Note A – Significant Accounting Policies

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

Note B – U.S. Department Of Agriculture Programs

Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first.

Note C – Food Distribution Programs

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. At June 30, 2010, the School District had no significant food commodities in inventory.

Note D – Matching Requirements

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mad River Local School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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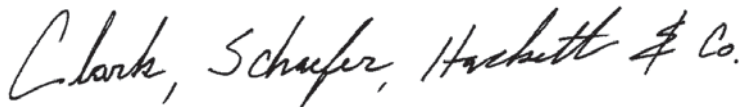
Compliance and Other Matters

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

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 13, 2010.

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachett & Co." The signature is written in black ink and is positioned above the typed name and date.

Springfield, Ohio
December 13, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the Mad River Local School District's (the District) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-2.

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Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the Board of Education, management, others within the entity and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schufer, Hackett & Co.

Springfield, Ohio
December 13, 2010

Mad River Local School District
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2010

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? Yes

Identification of major programs:

Title I, Part A Cluster:

- CFDA 84.010 – Title I Grants to Local Educational Agencies
- CFDA 84.389 – Title I Grants to Local Educational Agencies – ARRA

Special Education Cluster:

- CFDA 84.027 – Special Education Grants to States
- CFDA 84.391 – Special Education Grants to States – ARRA
- CFDA 84.173 – Special Education – Preschool Grants
- CFDA 84.392 – Special Education – Preschool Grants - ARRA

CFDA 84.394 – State Fiscal Stabilization Fund – Education State Grants – ARRA

Dollar threshold to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

Finding 2010-1 – Payroll Controls

During the course of our audit, we noted that there is no final supervisory control procedure performed during the payroll cycle. The payroll clerk performs the vast majority of the payroll cycle autonomously. Although, the payroll checking account is reconciled by another employee, this segregation of duties is not enough to uncover the creation of a fictitious employee, the issuance of an unauthorized payroll check or other potentially fraudulent activities associated with the payroll process.

We recommend that the Treasurer review payroll reports created during each payroll run and initial documentation noting this review prior to payroll being processed

Management response: Management concurs with the finding.

Section III – Federal Awards Findings and Questioned Costs

DEPARTMENT OF EDUCATION

Finding 2010-2 – State Fiscal Stabilization Grants to States – ARRA – CFDA No. 84.394, Title I Grants to Local Educational Agencies - ARRA - CFDA No. 84.389 and Special Education Grants to States - ARRA - CFDA No. 84.391

Condition: We performed tests to determine if the District was properly reporting vendors that received a single payment, from a single ARRA grant, in excess of \$25,000 to the Ohio Department of Education (ODE) on the 1512 ARRA Subrecipient Vendor report and if the District was reasonably reporting Full-Time Equivalency (FTE) (i.e, the number of jobs created and saved) to the ODE via the 1512 Testing ARRA FTE spreadsheet. We noted several payments to vendors which appear to meet the criteria to be reported in accordance with ODE 1512 ARRA Subrecipient Vendor reporting requirements but were not reported. We also noted inconsistencies with quarterly FTE information being reported on the 1512 Testing ARRA FTE spreadsheet.

Criteria: American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c) requires any entity that receives certain Recovery funds directly from the Federal government to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. The District did not receive direct ARRA funding. However, the Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance states that ODE, as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. Further, the ODE's reporting guidance indicates that ODE distributes ARRA funds to local education agencies (LEAs) as subrecipients and must collect quarterly data from LEAs to meet the 1512 reporting requirements associated with ARRA funding. Thus, the 1512 reporting requirements filter down to the District and the District is required to report certain information to ODE. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000 and the number of jobs saved and created using ARRA funds.

Effect: The failure to properly report 1512 information in accordance with program requirements could cause the ODE's 1512 reporting to be inaccurate.

Cause: The District did not implement specific procedures to ensure that all vendors receiving single payments of \$25,000, from a single ARRA grant, along with FTE information were reported on the ODE 1512 ARRA Subrecipient Vendor report and the 1512 Testing ARRA spreadsheet, respectively, were accurately reported on a quarterly basis.

Recommendation: We recommend the District implement procedures to ensure that all vendors receiving single payments of \$25,000 are reported on the ODE 1512 ARRA Subrecipient Vendor report and all jobs created and saved reported on the 1512 Testing ARRA spreadsheet to comply with federal regulations.

Management response: Management concurs with the finding.

Section IV – Schedule of Prior Audit Findings and Questioned Costs

None Noted.



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success

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Dave Yost • Auditor of State

MAD RIVER LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2011**