



Dave Yost • Auditor of State



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mississinawa Valley Local School District, Darke County, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mississinawa Valley Local School District, Darke County, as of June 30, 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during 2011 the District adopted Governmental Accounting Standard No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long term debt. The Schedule of Federal Awards Receipts and Disbursements is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the schedule provide additional information, but are not part of the basic financial statements. However, these tables and the schedule are management's responsibility, and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurances on it.



**Dave Yost**  
Auditor of State

January 12, 2012

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

This discussion and analysis of the Mississinawa Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Highlights**

Key highlights for fiscal year 2011 are as follows:

- Total net assets were \$3,150,247. Net assets of governmental activities decreased \$28,233, less than one percent.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for the District's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

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

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation of non-instructional services and extracurricular activities. The School District does not have any business-type activities.

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

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The fund financial statements provide a detailed view of the District's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the District's activities. The District's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's only major fund is the General Fund.

**Governmental Funds**

All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the 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 School 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.



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for 2011 compared to 2010 on a modified cash basis:

**Table 1  
Net Assets**

	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Total Assets	\$3,150,247	\$3,178,480
<b>Net Assets:</b>		
<b>Restricted for:</b>		
Debt Service	226,590	226,522
Capital Outlay	92,155	148,074
Other Purposes	680,040	786,755
Unrestricted	2,151,462	2,017,129
Total Net Assets	\$3,150,247	\$3,178,480

Total net assets decreased \$28,233. Net assets restricted for capital outlay decreased due to the District completing a \$400,000 energy savings project. Net assets restricted for other purposes decreased and unrestricted net assets increased mostly due to a decrease in the required set-asides at the end of the fiscal year.

Table 2 reflects the changes in net assets in fiscal year 2011, and a comparative balance to fiscal year 2010.

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>FY 11</b>	<b>FY 10</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services	\$ 798,646	\$ 630,081
Operating Grants and Contributions	1,236,422	1,172,526
Total Program Receipts	2,035,068	1,802,607
<b>General Receipts:</b>		
Property Taxes	1,263,471	1,269,636
Income Taxes	949,327	898,110
Grants and Entitlements	4,073,801	4,053,822
Investment Earnings	4,399	6,276
Other	67,550	19,443
Total General Receipts	6,358,548	6,247,287
Total Receipts	8,393,616	8,049,894
<b>Disbursements:</b>		
<b>Instruction:</b>		
Regular	2,961,529	2,595,217
Special	1,036,708	1,120,053
Vocational	76,082	75,054
Other	443,412	518,040

(Continued)

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Table 2  
Changes in Net Assets  
(Continued)**

	<b>Governmental Activities</b>	
	<b>FY 11</b>	<b>FY 10</b>
<b>Support Services:</b>		
Pupil	396,833	390,633
Instructional Staff	557,129	574,958
Board of Education	18,839	17,085
Administration	569,735	554,357
Fiscal	277,216	209,923
Business	1,835	1,272
Operation and Maintenance of Plant	1,056,466	649,253
Transportation	337,962	315,987
Central	11,012	29,454
Operation of Non-Instructional Services	287,278	286,224
Extracurricular Activities	232,940	215,992
Capital Outlay	7,000	
<b>Debt Service:</b>		
Principal	105,000	100,000
Interest	44,873	50,133
Total Disbursements	<u>8,421,849</u>	<u>7,703,635</u>
Increase (Decrease) in Net Assets	(28,233)	346,259
Net Assets – Beginning of Year	<u>3,178,480</u>	<u>2,832,221</u>
Net Assets – End of Year	<u>\$3,150,247</u>	<u>\$3,178,480</u>

**Governmental Activities**

The largest source of receipts for governmental activities are unrestricted grants and entitlements which accounted for about 49 percent of the total cash received during the year. Property and income taxes accounted for an additional 26 percent of receipts, and operating grants and contributions accounted for 15 percent of receipts. Charges for services receipts increased due to an increase in tuition revenue for the special education units. Operating grants and contributions increased due to an increase in federal stimulus receipts during the fiscal year.

Instruction accounted for approximately 54 percent of total cash disbursements for fiscal year 2011, with Regular Instruction making up the largest share at about 35 percent of total disbursements. Operation and maintenance of plant disbursements were about 13 percent of total disbursements. Operations and maintenance of plant disbursements increased due to the energy savings project in the administration building. Pupil and Instructional Staff support services accounted for about 11 percent of total disbursements. Board of Education, Administration, Business and Fiscal disbursements accounted for another 10 percent of disbursements. Transportation accounted for 4 percent of disbursements and Operation of Non-Instructional Services and Extracurricular Activities accounted for about 3 percent each of total disbursements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Statement of Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major activities of the District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, restricted State entitlements and investment earnings. A comparative analysis to fiscal year 2010 is also presented.

**(Table 3)  
Governmental Activities**

	FY 11		FY 10	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Instruction:</b>				
Regular	\$2,961,529	\$2,724,700	\$2,595,217	\$2,365,186
Special	1,036,708	537,034	1,120,053	628,893
Vocational	76,082	46,083	75,054	45,277
Other	443,412	443,412	518,040	517,100
<b>Support Services:</b>				
Pupils	396,833	163,104	390,633	155,774
Instructional Staff	557,129	294,698	574,958	282,034
Board of Education	18,839	18,839	17,085	17,085
Administration	569,735	569,735	554,357	514,748
Fiscal	277,216	201,414	209,923	153,875
Business	1,835	1,835	1,272	1,272
Operation and Maintenance of Plant	1,056,466	818,290	649,253	649,253
Transportation	337,962	329,894	315,987	309,800
Central	11,012	11,012	29,454	27,154
Operation of Non-Instructional Services	287,278	(7,581)	286,224	(24,021)
Extracurricular Activities	232,940	77,439	215,992	107,465
Capital Outlay	7,000	7,000	215,992	107,465
<b>Debt Service:</b>				
Principal	105,000	15,000	100,000	100,000
Interest	44,873	134,873	50,133	50,133
<b>Total Disbursements</b>	<u>\$8,421,849</u>	<u>\$6,386,781</u>	<u>\$7,919,627</u>	<u>\$6,008,493</u>

Charges for services and operating grants of about 24 percent of total cash receipts were received and used to fund the expenses of the District. The remaining 76 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to students.

**The District's Funds**

Information about the District's major governmental funds begins on page 11. All governmental funds had total receipts of \$8,393,616 and total disbursements of \$8,421,849. The General Fund is the chief operating fund of the District. At the end of fiscal year 2011, unassigned fund balance of the General Fund was \$1,890,431.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Major Funds Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The District's budget is adopted on a line item basis. The Board of Education adopts the budget at the fund and function level (i.e., General Fund – Regular Instruction).

During fiscal year 2011, the General Fund had original appropriations of \$7,329,683 and final appropriations of \$6,918,454. Actual expenditures plus encumbrances were \$6,810,333. Original estimated receipts were \$6,216,000 and final estimated receipts were \$6,632,978. Actual receipts for fiscal year 2011 were \$6,633,000.

**Capital Assets**

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

**Debt**

At June 30, 2011, the School District had \$1,074,997 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. For more information on the School District's debt, see Note 11 of the notes to the basic financial statements.

**Current Financial Issues and Concerns**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding.

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

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2011**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,150,247</u>
Total Assets	<u><u>3,150,247</u></u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	226,590
Capital Outlay	92,155
Other Purposes	680,040
Unrestricted	<u>2,151,462</u>
Total Net Assets	<u><u>\$3,150,247</u></u>

*See accompanying notes to the basic financial statements.*

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$2,961,529	\$176,435	\$60,394	(\$2,724,700)
Special	1,036,708	247,166	252,508	(537,034)
Vocational	76,082		29,999	(46,083)
Other	443,412			(443,412)
<b>Support Services:</b>				
Pupil	396,833		233,729	(163,104)
Instructional Staff	557,129	4,805	257,626	(294,698)
Board of Education	18,839			(18,839)
Administration	569,735			(569,735)
Fiscal	277,216	75,802		(201,414)
Business	1,835			(1,835)
Operation and Maintenance of Plant	1,056,466	15,774	222,402	(818,290)
Pupil Transportation	337,962	8,068		(329,894)
Central	11,012			(11,012)
Operation of Non-Instructional Services	287,278	115,095	179,764	7,581
Extracurricular Activities	232,940	155,501		(77,439)
Capital Outlay	7,000			(7,000)
<b>Debt Service:</b>				
Principal	105,000			(105,000)
Interest	44,873			(44,873)
Total Governmental Activities	8,421,849	798,646	1,236,422	(6,386,781)
<b>General Receipts:</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				1,063,804
Debt Service				131,030
Capital Outlay				46,396
Classroom Maintenance				22,241
Income Taxes Levied for General Purposes				949,327
Grants and Entitlements not Restricted to Specific Programs				4,073,801
Interest				4,399
Miscellaneous				67,550
Total General Receipts				6,358,548
Change in Net Assets				(28,233)
Net Assets Beginning of Year				3,178,480
Net Assets End of Year				\$3,150,247

See accompanying notes to the basic financial statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,112,839	\$755,820	\$2,868,659
<b>Restricted Asset:</b>			
Equity in Pooled Cash and Cash Equivalents	281,588		281,588
Total Assets	<u>2,394,427</u>	<u>755,820</u>	<u>3,150,247</u>
<b>Fund Balances:</b>			
Restricted	281,588	717,197	998,785
Committed		38,623	38,623
Assigned	222,408		222,408
Unassigned	1,890,431		1,890,431
Total Fund Balances	<u>\$2,394,427</u>	<u>\$755,820</u>	<u>\$3,150,247</u>

*See accompanying notes to the basic financial statements.*

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>			
Property Taxes	\$1,063,804	\$199,667	\$1,263,471
Income Tax	949,327		949,327
Intergovernmental	4,042,642	1,265,581	5,308,223
Interest	4,392	7	4,399
Tuition and Fees	387,475	31,773	419,248
Customer Sales and Service		110,067	110,067
Extracurricular Activities	59,238	95,255	154,493
Contributions and Donations		2,000	2,000
Miscellaneous	177,360	5,028	182,388
Total Receipts	<u>6,684,238</u>	<u>1,709,378</u>	<u>8,393,616</u>
<b>Disbursements:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	2,841,184	120,345	2,961,529
Special	799,215	237,493	1,036,708
Vocational	73,670	2,412	76,082
Other	437,989	5,423	443,412
<b>Support Services:</b>			
Pupil	162,640	234,193	396,833
Instructional Staff	314,852	242,277	557,129
Board of Education	18,839		18,839
Administration	569,735		569,735
Fiscal	272,106	5,110	277,216
Business	1,835		1,835
Operation and Maintenance of Plant	678,082	378,384	1,056,466
Pupil Transportation	337,805	157	337,962
Central	9,337	1,675	11,012
Operation of Non-Instructional Services		287,278	287,278
Extracurricular Activities	152,602	80,338	232,940
Capital Outlay		7,000	7,000
<b>Debt Service:</b>			
Principal		105,000	105,000
Interest		44,873	44,873
Total Disbursements	<u>6,669,891</u>	<u>1,751,958</u>	<u>8,421,849</u>
Excess of Receipts Over (Under) Disbursements	14,347	(42,580)	(28,233)
<b>Other Financing Sources (Uses):</b>			
Advances In	8,000		8,000
Advances Out		(8,000)	(8,000)
Total Other Financing Sources (Uses)	<u>8,000</u>	<u>(8,000)</u>	
Net Change in Fund Balances	22,347	(50,580)	(28,233)
Fund Balances Beginning of Year - Restated (Note 3)	<u>2,372,080</u>	<u>806,400</u>	<u>3,178,480</u>
Fund Balances End of Year	<u>\$2,394,427</u>	<u>\$755,820</u>	<u>\$3,150,247</u>

See accompanying notes to the basic financial statements.



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property Taxes	\$1,035,000	\$1,063,804	\$1,063,804	
Income Tax	885,000	949,327	949,327	
Tuition and Fees	250,000	387,475	387,475	
Interest	7,000	4,370	4,392	\$22
Intergovernmental	3,852,000	4,027,244	4,042,642	15,398
Miscellaneous	87,000	192,758	177,360	(15,398)
<b>Total Revenues</b>	<u>6,116,000</u>	<u>6,624,978</u>	<u>6,625,000</u>	<u>22</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,735,364	2,848,059	2,848,059	
Special	884,069	809,415	809,415	
Vocational	72,014	73,670	73,670	
Other	674,016	446,851	446,851	
<b>Support Services:</b>				
Pupils	138,850	171,131	171,130	1
Instructional Staff	268,582	318,552	318,552	
Board of Education	18,830	18,839	18,839	
Administration	527,240	546,824	538,378	8,446
Fiscal	252,448	292,212	291,045	1,167
Business	1,375	1,835	1,835	
Operation and Maintenance of Plant	1,021,177	830,814	761,557	69,257
Pupil Transportation	575,257	413,005	383,754	29,251
Central	28,901	10,758	10,759	(1)
Extracurricular Activities	131,560	136,489	136,489	
<b>Total Expenditures</b>	<u>7,329,683</u>	<u>6,918,454</u>	<u>6,810,333</u>	<u>108,121</u>
Excess of Receipts Under Disbursements	(1,213,683)	(293,476)	(185,333)	108,143
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditure	100,000			
Advances In		8,000	8,000	
<b>Total Other Financing Sources (Uses)</b>	<u>100,000</u>	<u>8,000</u>	<u>8,000</u>	
Net Change in Fund Balance	(1,113,683)	(285,476)	(177,333)	108,143
Fund Balance at Beginning of Year	2,151,547	2,151,547	2,151,547	
Prior Year Encumbrances Appropriated	187,854	187,854	187,854	
<b>Fund Balance at End of Year</b>	<u>\$1,225,718</u>	<u>\$2,053,925</u>	<u>\$2,162,068</u>	<u>\$108,143</u>

See Accompanying Notes to the Basic Financial Statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents		\$37,541
Investments in Segregated Accounts	\$389,078	
Total Assets	\$389,078	\$37,541
<b>Liabilities:</b>		
Due to Students		\$37,541
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$389,078	
	\$389,078	

*See accompanying notes to the basic financial statements.*

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$7,935
<b>Deductions:</b>	
Scholarships	<u>15,100</u>
Change in Net Assets	(7,165)
Net Assets - Beginning of Year	<u>396,243</u>
Net Assets - End of Year	<u><u>\$389,078</u></u>

*See accompanying notes to the basic financial statements.*

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

**Reporting Entity:**

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

Component units are legally separate organizations for which the School District is financially accountable, or for which the School District is not financially accountable but the nature and significance of the School District's relationship with the separate organization is such that it is required to be presented as a component unit. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Organizations for which the School District is not financially accountable are component units of the School District if (1) economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the School District or its constituents, (2) the School District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the organization and (3) the economic resources received or held by the organization are significant to the School District. Mississinawa Valley Local School District has no component units.

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

**Jointly Governed Organizations:**

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

**Insurance Purchasing Pool:**

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments as assets, valued at cost.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

**A. Basis of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental or fiduciary.

**1. Governmental Fund Types**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The General Fund is the School District's only major governmental fund. The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**2. Fiduciary Funds**

Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs.

The following are the School District's fiduciary funds:

The School District's only trust fund is a private purpose trust which accounts for money left in trust for college scholarships for students. Agency funds are custodial in nature, where the District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student activities' cash.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**B. Basis of Presentation**

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

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

These statements display information about the School District as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities. The School District, however, does not have any business-type activities.

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

**2. Fund Financial Statements**

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

**C. Cash, Cash Equivalents and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds except the principal amount of the private purpose trust funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Investments of the private purpose trust funds are presented as "Investments in Segregated Accounts" on the financial statements.

The District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 was \$4,392, including \$1,558 assigned from other School District funds.

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**D. Restricted Assets**

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

**E. Inventory**

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

**F. Prepaid Items**

On the modified cash-basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as disbursements when made.

**G. Capital Assets**

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

**H. Compensated Absences**

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

**I. Long-term Obligations**

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

**J. Fund Balance**

Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

Fund balance is reported as committed when the Board of Education of the School District has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the Treasurer has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Unassigned fund balance represents resources not restricted, committed or assigned to a specific purpose.

The School District applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**K. Net Assets**

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

At June 30, 2011, the School District does not have any assets restricted by enabling legislation.

**L. Interfund Activity**

Permanent nonexchange flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds on the fund financial statements and eliminated on the district wide statements. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**M. Budgetary Data**

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the fund level for the general fund and the function level within each fund for all other funds as its legal levels of control.

The certificate of estimated resources may be amended during the year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2011, the School District has implemented GASB Stmt No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides clearer fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. It establishes a hierarchy of fund balance classifications based on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The fund balance of the general fund was restated \$32,679, from \$2,339,401 to \$2,372,080 at June 30, 2010, and the fund balance of the other governmental funds was restated \$32,679 at June 30, 2010, from \$839,079 to \$806,400.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

At June 30, 2011, the School District had \$90 in un-deposited cash on hand.

**A. Deposits**

At June 30, 2011, the book balance of the School District's deposits was \$1,048,452 and the bank balance was \$1,058,584.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June, 30, 2011, \$416,505 of the government's bank balance of \$1,058,584 was exposed to custodial credit risk in that it was uninsured and collateralized with collateral held by the third party agent but not in the School District's name.

**B. Investments**

At June 30, 2011, the District had \$2,528,324 invested in STAR Ohio. STAR Ohio is an investment pool and has various interest rates.

**Interest Rate Risk:** The District does not have a formal investment policy that addresses interest rate risk.

**Concentration of Credit Risk:** The Institute places no limit on the amount it may invest in any one issuer. 100% of the District's investments at June 30, 2011, were in STAR Ohio.

**Credit Risk:** The District's investment in STAR Ohio was rated AAAM by Standard & Poor's at June 30, 2011.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$3,187,788	\$ 389,078
Investments:		
Certificates of Deposit	389,078	(389,078)
Cash on Hand	(90)	
STAR Ohio	(2,528,324)	2,528,324
GASB Statement No. 3	\$1,048,452	\$2,528,324

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2011 taxes were collected are:

	<b>2010 Second- Half Collections</b>		<b>2011 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$58,802,440	97.00%	\$59,409,030	96.91%
Public Utility	1,815,990	3.00	1,895,550	3.09
Total	\$60,618,430	100.00%	\$61,304,580	100.00%
Tax rate per \$1,000 of assessed valuation	\$35.48		\$35.48	

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**6. INCOME TAX**

As of June 30, 2011, the School District levies a voted tax of 1.75 percent for general operations on the income of residents and of estates. The first 0.50 percent tax was effective on January 1, 1990, while the second 0.50 percent tax was effective on January 1, 2000, and both are continuing taxes. The third .75 percent tax was effective January 1, 2007, and is effective for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2011 were \$949,327.

**7. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the School District contracted with Indiana Insurance through Magas Insurance Associates for property and fleet, general liability, boiler and machinery coverage, crime, and inland marine insurance.

Insurance coverage provided includes the following:

Building and Contents – at replacement cost (\$1,000 deductible)	\$28,446,527
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorist (\$0 deductible)	1,000,000
General Liability	
Per Occurrence	1,000,000
Total Per Year	2,000,000
Umbrella Liability	
Per Occurrence	4,000,000
Aggregate Limit	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past ten years. There have been no significant reductions in insurance coverage from the prior year.

**B. Workers' Compensation**

For fiscal year 2011, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**C. Employee Medical Benefits**

The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the 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 MBP to cover the costs of administering the program.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [ohsers.org](http://ohsers.org) under Employers/Audit Resources.

For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. The contributions requirement 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 Healthcare Fund) of the system. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent of annual covered salary. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$114,341, \$111,512, and \$78,941 respectively; 48 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a Comprehensive Annual Financial Report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2010. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010, and 2009 were \$406,681, \$378,913 and \$372,673 respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$23,896 made by the School District and \$17,069 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS**

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

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2011, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for the fiscal years ended June 30, 2011, 2010 and 2009, were \$31,283, \$29,147, and \$28,667. 84% has been contributed for fiscal year 2011 and 100% has been contributed for fiscal years 2010 and 2009. The financial reports of the STRS Ohio's Health Care Stabilization Fund are included in its stand-alone report that can be obtained by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org) or by calling toll-free 1-888-227-7877.

**B. School Employees Retirement System**

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 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 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on income. SERS' reimbursement to retirees was \$45.50. 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 2011, the actuarially required allocation was .76%. The School District's required contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were \$7,360, \$6,633, and \$6,513 respectively; 48 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal year 2010 and 2009.

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 statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare 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 remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation was 1.43 percent of covered payroll.



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

In addition, a 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 2011, the minimum pay 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. For the School District, the required contribution to fund health care benefits, including the surcharge, during the fiscal years ending June 30, 2011, 2010 and 2009 were \$27,015, \$16,740, and \$48,547; 53 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes 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 stand-alone report. That report may be obtained by visiting the SERS website at [ohsers.org](http://ohsers.org) under Employers/Audit Resources.

**10. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Insurance Benefits**

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

**C. Deferred Compensation Plan**

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

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**11. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	<b>Principal Outstanding 6/30/10</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/11</b>
Classroom Facilities Refunding Bonds - 2008				
Term Bonds 4.00%	\$ 85,000		\$ 15,000	\$ 70,000
Capital Appreciation Bonds 4.4 – 4.45%	49,999			49,999
Serial Bonds 4.2 – 4.375%	810,000			810,000
Classroom Facilities Bonds - 2000				
Serial Bonds 4.125 – 4.75%	185,000		90,000	95,000
Capital Appreciation Bonds	49,998			49,998
<b>Total General Long-Term Obligations</b>	<b>\$1,179,997</b>	<b>\$0</b>	<b>\$105,000</b>	<b>\$1,074,997</b>

**Classroom Facilities General Obligation Bonds** - The School District issued bonds in the amount of \$1,969,998 for the purpose of building new school facilities in 2000. Of these bonds, \$930,000 were serial bonds, with maturity dates of December 1, 2000 to December 1, 2011. \$990,000 were term bonds with a maturity date of December 1, 2022, and \$49,998 of the bonds were capital appreciation bonds, with maturity dates of December 1, 2012, 2013, and 2014. The maturity amount is \$100,000 for each year.

During fiscal year 2008, the School District issued \$989,999 general obligation bonds to advance refund the 2000 term bonds. Of these bonds, \$130,000 are term bonds maturing on December 1, 2014, \$49,999 are capital appreciation bonds maturing on December 1, 2015 and December 1, 2016, and \$810,000 are serial bonds with maturity dates of December 1, 2017 through December 1, 2022. The maturity amount for the capital appreciation bonds is \$120,000 for each year.

The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government, State and Local Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service of the general obligation bonds. As a result, the refunded bonds are considered to be defeased.

The School District's overall legal debt margin was \$4,669,003 and the unvoted debt margin was \$61,305 at June 30, 2011.

Principal and interest requirements to retire the classroom facilities general obligation bonds are as follows:

<b>Fiscal year Ending June 30,</b>	<b>Term Bonds</b>		<b>Capital Appreciation Bonds</b>		<b>Serial Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$15,000	\$ 36,735			\$ 95,000	\$ 31,028
2013	15,000	36,135	\$18,940	\$137,985		
2014	20,000	35,435	16,561	140,358		
2015	20,000	34,635	14,491	142,434		
2016			27,233	127,002		
2017-2021			22,772	131,469	520,000	94,838
2022-2023					290,000	12,819
<b>Total</b>	<b>\$70,000</b>	<b>\$142,940</b>	<b>\$99,997</b>	<b>\$679,248</b>	<b>\$905,000</b>	<b>\$138,685</b>

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATION**

**A. Metropolitan Dayton Educational Cooperative Association**

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County County Educational Service Center. The School District paid MDECA \$4,762 for computer services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

**B. Southwestern Ohio Educational Purchasing Council**

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2011, the School District paid \$1,224 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**C. Southwestern Ohio Instructional Technology Association**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2011, the School District paid \$610 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**13. INSURANCE PURCHASING POOL**

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

**14. SET-ASIDE CALCULATIONS**

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

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

	<u>Textbooks and Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2010	\$300,223		\$15,614
Current Year Set-aside Requirement	98,777	\$98,777	
Current Year Offsets		(68,637)	
Qualifying Disbursements	(139,461)	(30,140)	
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$259,539</u>	<u>\$ 0</u>	<u>\$15,614</u>
Set-aside Reserve Balances as of June 30, 2011	<u>\$259,539</u>	<u>\$ 0</u>	<u>\$15,614</u>

The total restricted balance for the set-asides at the end of the fiscal year was \$275,153.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**15. CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally 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 adverse effect on the overall financial position of the School District at June 30, 2011.

**16. BUDGETARY BASIS OF ACCOUNTING**

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

- (1) outstanding year-end encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (modified cash), and,
- (2) Perspective differences - activity of some funds is included with the General Fund on the modified cash basis because those funds do not meet the requirements to be presented as a separate fund. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the General Fund.

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

<b>General Fund</b>	
Net Change in Fund Balance	
Modified Cash Basis	\$ 22,347
Adjustment for Encumbrances	(202,928)
Perspective Difference	3,248
Budget Basis	<u><u>(\$177,333)</u></u>

**17. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**18. FUND BALANCE**

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2011 were as follows:

<u>Fund Balance</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Restricted for:</b>			
Textbooks and Instructional Materials	\$ 259,539	\$ 2,233	\$ 261,772
Bus Purchases	6,435		6,435
Budget Reserve	15,614		15,614
Martha Holden Jennings Grant		1,524	1,524
Classroom Facilities		5,388	5,388
Facilities Maintenance		57,862	57,862
Debt Retirement		226,590	226,590
Emergency Building Repair		518	518
Permanent Improvements		86,012	86,012
Educational Mgmt. Info Systems		8,305	8,305
Professional Development		649	649
Summer School		1,650	1,650
Extended Learning		175	175
Race to the Top		3,918	3,918
Food Service Operations		248,507	248,507
Technology		187	187
Federal Emergency Management		2,164	2,164
National Writing Project		15,306	15,306
Athletics		55,972	55,972
Schoolnet		237	237
<b>Total Restricted</b>	<u>281,588</u>	<u>717,197</u>	<u>998,785</u>
<b>Committed to:</b>			
Latchkey/Preschool		4,341	4,341
Uniform School Supplies		34,282	34,282
<b>Total Committed</b>		<u>38,623</u>	<u>38,623</u>
<b>Assigned for:</b>			
Unpaid Obligations	192,977		192,977
Educational Activities	29,431		29,431
<b>Total Assigned</b>	<u>222,408</u>		<u>222,408</u>
<b>Unassigned</b>	<u>1,890,431</u>		<u>1,890,431</u>
<b>Total Fund Balance</b>	<u>\$2,394,427</u>	<u>\$755,820</u>	<u>\$3,150,247</u>

**MISSISSISNAVA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARD RECEIPTS AND DISBURSEMENTS  
FOR YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>(Passed through Ohio Department of Education)</i>						
Child Nutrition Cluster:						
School Breakfast Program	2011	10.553	\$28,945		\$28,945	
National School Lunch Program	2011	10.555	146,449		146,449	
Non-Cash Assistance (Food Distribution)						
National School Lunch Program		10.555		\$40,473		\$40,473
Total National School Lunch Program			146,449	\$40,473	146,449	\$40,473
Total Child Nutrition Cluster - United States Department of Agriculture			175,394	40,473	175,394	40,473
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed through Ohio Department of Education)</i>						
Title I Cluster:						
Title I Grants to Local Educational Agencies	2011	84.010	169,671		169,671	
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	37,910		37,910	
ARRA - Title I Grants to Local Educational Agencies	2010				1,943	
			37,910		39,853	
Total Title I Cluster			207,581		209,524	
Eudcational Technology State Grant	2011	84.318	2,479		2,479	
Improving Teacher Quality State Grants	2011	84.367	27,564		27,564	
ARRA - State Fiscal Stabilization Fund	2011	84.394	322,321		322,321	
ARRA - State Fiscal Stabilization Fund	2010				4,969	
Total			322,321		327,290	
ARRA - Race to the Top	2011	84.395	15,463		11,544	
National Writing Project	2011	84.928	8,000		9,237	
Total U.S. Department of Education			583,408		587,638	
Corporation for National and Community Service <i>(Passed through Ohio Department of Education)</i>						
Learn and Serve America - Higher Education	2011	94.005	3,000		11,158	
Total Corporation for National and Community Service			3,000		11,158	
Total Federal Assistance			\$761,802	\$40,473	\$774,190	\$40,473

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARD RECEIPTS AND DISBURSEMENTS  
JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Disbursements (the Schedule) summarizes activity of Mississinawa Valley Local School District's (the School District) federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on the Schedule, the School District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D – SCHOOL WIDE PROGRAM**

The School District currently operates a school-wide program for their Title I Fund in the Elementary School.





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mississinawa Valley Local School District, Darke County, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 12, 2012, wherein we noted the District adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. We also noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a 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 timely corrected. We consider finding 2011-002 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 12, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

January 12, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Mississinawa Valley Local School District, Darke County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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.

As described in finding 2011-003 in the accompanying schedule of findings, the District did not comply with requirements regarding Cash Management applicable to the State Fiscal Stabilization Fund - ARRA major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management 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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-003 to be a material weakness.

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

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 12, 2012.

We intend this report solely for the information and use of the management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 12, 2012

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA 84.394 State Fiscal Stabilization Fund - ARRA
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2011-001**

**NONCOMPLIANCE – CASH BASIS FINANCIAL STATEMENTS**

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

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

In order to present financial statements that present assets, liabilities, and the disclosures required to accurately present the District's financial condition, the District should prepare its annual financial statements in accordance with generally accepted accounting principles.

**Official's Response:**

The Mississinawa Valley Local School District Board of Education continues to support their decision in processing the OCBOA statements as a means to save time and money for the School District.

**FINDING NUMBER 2011-002**

**MATERIAL WEAKNESS – OUTSTANDING PURCHASE ORDERS**

All purchase orders should be reviewed near year end to determine whether they still represent valid purchase commitments or whether the remaining dollar amount should be totally or partially cancelled. Our testing of outstanding purchase orders at June 30, 2011, noted that \$108,122 of the outstanding purchase orders in the General Fund were not for valid purchase commitments and were subsequently closed in FY 2012.

The failure to monitor the outstanding purchase orders resulted in an overstatement of Assigned General Fund Balances by 32% and an understatement of unassigned fund balances by 6% at year end. This also overstated the General fund BVA expenditures by 2% and understated the Ending Fund Balance by 5%. An adjustment was made in the accompanying financial statements to reduce the General Fund year end encumbrances by the amount of \$108,122.

The Treasurer's office should initiate a review of outstanding purchase orders prior to year end to determine they still represent valid purchase commitments. Purchase orders should be closed or partially liquidated if they do not represent a valid commitment at year end.

**FINDING NUMBER 2011-002  
 (Continued)**

**Official’s Response:**

The District will continue to monitor the open purchase orders at the end of the Fiscal Year. However, we do not have control on when the District will be billed for certain items and if we will be billed. The District is not trying to understate fund balances at the end of the year.

**3. SCHEDULE OF FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	<b>2011-003</b>
<b>CFDA Title and Number</b>	CFDA #84.394– State Fiscal Stabilization Fund- ARRA
<b>Year</b>	FY 2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE/MATERIAL WEAKNESS – CASH MANAGEMENT**

**34 CFR 80.20 (b)(7)** states when advances are made by letter –of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.

The District received advance payments of ARRA State Fiscal Stabilization Funds (SFSF) from Ohio Department of Education (ODE) via the State Foundation Settlement Sheet. During the year, the District accumulated a positive cash balance in the SFSF fund (Fund 532) of up to \$153,000 due to the District not spending the cash received in a timely manner. For approximately 7 months of the fiscal year, the District did not expend the revenues timely; however, the balance was down to zero at year-end.

The District should implement procedures to help assure that the balances of federal grant funds are spent in a timely manner.

**Official’s Response:**

The grant is over now, but the District will spend future grant money in a timely manner, by evaluating the balances monthly to more closely monitor the balances in the federal funds.

MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2010-001	ORC 117.38 and OAC 117-2-03 (B) – Preparation and filing of cash basis annual financial report.	No	Repeated as finding 2011-001



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
June 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-003	To spend the money in a more timely manner, by evaluating the balances monthly to more closely monitor the balances in the federal funds.	Grant is over, but will monitor the next grant.	Nick Hamilton, Treasurer

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Mississinawa Valley Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board 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 "Dave Yost".

**Dave Yost**  
Auditor of State

January 12, 2012

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# Dave Yost • Auditor of State

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 13, 2012**