

MAD RIVER LOCAL SCHOOL DISTRICT

Basic Financial Statements

June 30, 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Report of Independent Accountants* of the Mad River Local School District, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 13, 2005

This Page is Intentionally Left Blank.



March 7, 2005

REPORT OF INDEPENDENT ACCOUNTANTS

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 Mad River Local School District, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.


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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mad River Local School District, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the basic financial statements for the fiscal year ended June 30, 2004, the District reclassified activity formerly reported in the enterprise funds as a business-type activity to now be reported in the special revenue funds as a governmental activity.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Plattenburg & Associates, Inc.
Certified Public Accountants

MAD RIVER LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004
(Unaudited)

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

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2004 are as follows:

- Net assets of governmental activities increased \$55,302,421 which represents a 219% increase from 2003.
- General revenues accounted for \$31,406,647 in revenue or 35% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$58,451,970 or 65% of total revenues of \$89,858,617.
- Total assets of governmental activities increased by \$57,253,775 as capital assets increased by \$42,337,065 while cash and other receivables increased by \$15,020,409.
- The District had \$34,556,196 in expenses related to governmental activities; \$34,556,196 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$31,406,647 were adequate to provide for these programs.
- As a major fund, the General Fund had \$29,474,298 in revenues and \$29,486,710 in expenditures. The General Fund's balance decreased from \$8,117,997 to \$7,192,974. The other major fund, Classroom Facilities, had \$53,120,549 in revenues and \$42,767,559 in expenditures. The Classroom Facilities fund balance increased from \$24,167,209 to \$34,520,199.

Using this Basic Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Assets* and the *Statement of Activities*, the overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2003 compared to 2004:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2003 Restated</u>	<u>2004</u>
Assets		
Current and Other Assets	\$47,592,476	\$62,509,186
Capital Assets	<u>9,470,934</u>	<u>51,807,999</u>
Total Assets	<u>57,063,410</u>	<u>114,317,185</u>
Liabilities		
Long-Term Liabilities	19,106,342	17,890,237
Other Liabilities	<u>12,772,274</u>	<u>15,939,733</u>
Total Liabilities	<u>31,878,616</u>	<u>33,829,970</u>
Net Assets		
Invested in Capital		
Assets Net of Debt	6,836,082	35,127,999
Restricted	11,848,301	38,947,177
Unrestricted	<u>6,500,411</u>	<u>6,412,039</u>
Total Net Assets	<u>\$25,184,794</u>	<u>\$80,487,215</u>

Total assets increased \$57,253,775. Equity in pooled cash and cash equivalents increased \$14,086,025. Capital assets increased \$42,337,065. Total liabilities increased \$1,951,354, resulting in a net asset increase of \$55,302,421.

Table 2 shows the change in net assets at year end.

Table 2
Changes in Net Assets

	Governmental Activities <u>2003 Restated</u>	Governmental Activities <u>2004</u>
Revenues		
Program Revenues:		
Charges for Services	\$1,958,640	\$1,909,634
Operating Grants	4,147,207	3,842,726
Capital Grants	7,581,908	52,699,610
General Revenue:		
Property Taxes	9,714,080	10,428,825
Grants and Entitlements	19,067,552	19,790,352
Other	<u>891,607</u>	<u>1,187,470</u>
Total Revenues	<u>43,360,994</u>	<u>89,858,617</u>
Program Expenses:		
Instruction	19,137,543	19,359,373
Support Services:		
Pupil and Instructional Staff	2,883,376	3,025,260
School and General Administration,		
Fiscal and Business	3,002,584	4,008,393
Operations and Maintenance	2,235,042	2,849,599
Pupil Transportation	949,000	1,123,463
Central	182,201	215,747
Operation of Non-Instructional Services	2,782,481	2,653,845
Extracurricular Activities	480,554	609,553
Interest and Fiscal Charges	<u>850,223</u>	<u>710,963</u>
Total Expenses	<u>32,503,004</u>	<u>34,556,196</u>
Increase in Net Assets	<u>10,857,990</u>	<u>55,302,421</u>
Beginning Net Assets	<u>14,326,804</u>	<u>25,184,794</u>
Ending Net Assets	<u>\$25,184,794</u>	<u>\$80,487,215</u>

Of the total governmental activities revenues of \$89,858,617, \$58,451,970 is from program revenue. Of the general revenues, \$10,428,825 (33%) comes from property tax levies and \$19,790,352 (64%) is from state and federal funding. This District's operations are reliant upon its property tax levy and the state's foundation program.

Net assets increased \$55,302,421, which was caused mainly by an increase in capital grants and contributions, which is being used to complete the construction of the school district's buildings.

Governmental Activities

The District revenues are usually from two sources. Property taxes levied for general purposes and grants and entitlements comprised 34% of the District's revenues for governmental activities. However, this year the District received \$52,699,610 in capital grants and contributions for the completion of six new buildings, this accounted for 55% of the District's revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 12% of revenue for governmental activities for the District in fiscal year 2004.

Instruction comprises 58% of governmental program expenses. Support services expenses were 31% of governmental program expenses. Interest expense was 11%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	<u>2003 Restated</u>	<u>2004</u>	<u>2003 Restated</u>	<u>2004</u>
Instruction	\$19,137,543	\$19,359,373	(\$9,148,124)	\$32,102,161
Support Services:				
Pupil and Instructional Staff	2,883,376	3,025,260	(2,639,464)	(2,641,783)
School and General Administration,				
Fiscal and Business	3,002,584	4,008,393	(2,449,821)	(1,629,788)
Operations and Maintenance	2,235,042	2,849,599	(1,679,978)	(1,207,635)
Pupil Transportation	949,000	1,123,463	(778,447)	(799,765)
Central	182,201	215,747	(65,861)	(191,825)
Operation of Non-Instructional Services	2,782,481	2,653,845	(827,225)	(544,172)
Extracurricular Activities	480,554	609,553	(376,106)	(480,456)
Interest and Fiscal Charges	<u>850,223</u>	<u>710,963</u>	<u>(850,223)</u>	<u>(710,963)</u>
Total Expenses	<u>\$32,503,004</u>	<u>\$34,556,196</u>	<u>(\$18,815,249)</u>	<u>\$23,895,774</u>

The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$89,769,231 and expenditures and other financing uses of \$78,733,935. The net change in fund balance for the year was \$11,035,296, or 31.8%.

The general fund balance decreased \$925,023 due to an increase in wages.

The classroom facilities fund balance increased \$10,352,990 due to an increase in intergovernmental revenues and investment earnings related to the building project.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis actual revenue was \$28,977,463, compared to original budget estimates of \$27,752,245. Of the \$1,225,218 difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$3,943,359 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$51,807,999 invested in land, construction in progress, buildings, and equipment. Table 4 shows fiscal 2004 balances compared to fiscal 2003:

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

	<u>Governmental Activities</u>	
	<u>2003 Restated</u>	<u>2004</u>
Land and Improvements	\$916,000	\$916,000
Construction in Progress	2,524,852	45,551,948
Buildings and Improvements	3,399,799	3,118,335
Equipment	<u>2,630,283</u>	<u>2,221,716</u>
Total Net Assets	<u>\$9,470,934</u>	<u>\$51,807,999</u>

The increase in capital assets is due to \$45,551,948 in construction in progress. This District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2004, the District had \$16,680,000 in bonds outstanding, \$415,000 due within one year. Table 5 summarizes bonds outstanding. These bonds will be used for the construction of new school buildings.

Table 5
Outstanding Debt, at Year End

	Governmental Activities 2003	Governmental Activities 2004
General Obligation Bonds:		
Energy Management	\$110,000	\$0
School Facilities Project Bond	<u>17,070,000</u>	<u>16,680,000</u>
Total	<u>\$17,180,000</u>	<u>\$16,680,000</u>

Detailed information relating to capital assets and debt is presented in the Notes to the Basic Financial Statements.

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

The District has committed itself to financial excellence for many years. In addition, the District’s system of budgeting and internal controls is well regarded. All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan R. Strubing, 801 Harshman Road, Riverside, OH 45431. Or E-mail at strubing@madriver.k12.oh.us.

Mad River Local School District
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$51,577,365
Restricted Cash and Investments	874,052
Receivables:	
Taxes	9,505,815
Accounts	198,557
Intergovernmental	326,217
Inventory	27,180
Nondepreciable Capital Assets	46,467,948
Depreciable Capital Assets, Net	<u>5,340,051</u>
 Total Assets	 <u>114,317,185</u>
Liabilities:	
Accounts Payable	437,922
Accrued Wages and Benefits	3,795,284
Retainage Payable	626,876
Accrued Interest Payable	71,516
Deferred Revenue	8,131,760
Claims Payable	55,584
Long-Term Liabilities:	
Due Within One Year	753,204
Due In More Than One Year	<u>17,137,033</u>
 Total Liabilities	 <u>33,829,970</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	35,127,999
Restricted for:	
Special Revenue	1,016,834
Debt Service	710,083
Capital Projects	36,973,084
Set-Aside	247,176
Unrestricted	<u>6,412,039</u>
 Total Net Assets	 <u>\$80,487,215</u>

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$12,840,953	\$324,686	\$279,477	\$28,971,421	\$16,734,631
Special	4,573,319	68,910	776,384	6,847,791	3,119,766
Vocational	1,311,633	0	99,230	13,168,828	11,956,425
Other	633,468	4,800	920,007	0	291,339
Support Services:					
Pupil	1,583,971	231	160,301	0	(1,423,439)
Instructional Staff	1,441,289	21,124	201,821	0	(1,218,344)
General Administration	23,219	0	33,125	0	9,906
School Administration	2,479,612	114,935	123,533	2,107,012	(134,132)
Fiscal	1,134,445	0	0	0	(1,134,445)
Business	371,117	0	0	0	(371,117)
Operations and Maintenance	2,849,599	55,307	6,398	1,580,259	(1,207,635)
Pupil Transportation	1,123,463	292,808	6,591	24,299	(799,765)
Central	215,747	0	23,922	0	(191,825)
Operation of Non-Instructional Services	2,653,845	897,736	1,211,937	0	(544,172)
Extracurricular Activities	609,553	129,097	0	0	(480,456)
Interest and Fiscal Charges	710,963	0	0	0	(710,963)
Total Governmental Activities	34,556,196	1,909,634	3,842,726	52,699,610	23,895,774

General Revenues:

Property Taxes Levied for:

General Purposes	8,371,060
Special Revenue Purposes	113,885
Debt Service Purposes	1,303,377
Capital Projects Purposes	640,503
Grants and Entitlements not Restricted to Specific Programs	19,790,352
Unrestricted Contributions	484
Investment Earnings	882,980
Other Revenues	304,006

Total General Revenues and Transfers 31,406,647

Change in Net Assets 55,302,421

Net Assets Beginning of Year, Restated 25,184,794

Net Assets End of Year \$80,487,215

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$10,053,631	\$37,395,608	\$4,128,126	\$51,577,365
Restricted Cash and Investments	247,176	626,876	0	874,052
Receivables:				
Taxes	7,802,665	0	1,703,150	9,505,815
Accounts	194,945	0	3,612	198,557
Intergovernmental	4,222	0	321,995	326,217
Interfund	216,258	0	42,056	258,314
Inventory	0	0	27,180	27,180
Total Assets	18,518,897	38,022,484	6,226,119	62,767,500
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	273,426	54,618	109,878	437,922
Accrued Wages and Benefits	3,380,649	0	201,689	3,582,338
Compensated Absences	124,590	0	4,319	128,909
Retainage Payable	0	626,876	0	626,876
Contracts Payable	0	2,820,791	0	2,820,791
Interfund Payable	47,793	0	210,521	258,314
Deferred Revenue	7,443,881	0	1,708,244	9,152,125
Claims Payable	55,584	0	0	55,584
Total Liabilities	11,325,923	3,502,285	2,234,651	17,062,859
Fund Balances:				
Reserved for Encumbrances	615,717	36,553,184	674,275	37,843,176
Reserved for Inventory	0	0	27,180	27,180
Reserved for Property Tax Advances	358,784	0	95,935	454,719
Reserved for Set-Aside	247,176	0	0	247,176
Unreserved, Undesignated, Reported in:				
General Fund	5,971,297	0	0	5,971,297
Special Revenue Funds	0	0	811,268	811,268
Debt Service Funds	0	0	599,106	599,106
Capital Projects Funds	0	(2,032,985)	1,783,704	(249,281)
Total Fund Balances	7,192,974	34,520,199	3,991,468	45,704,641
Total Liabilities and Fund Balances	\$18,518,897	\$38,022,484	\$6,226,119	\$62,767,500

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2004

Total Governmental Fund Balance \$45,704,641

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 51,807,999

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	919,336	
Intergovernmental	<u>101,029</u>	
		1,020,365

In the statement of net assets interest payable is accrued when
 incurred, whereas in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (71,516)

Some liabilities reported in the statement of net assets do not
 require the use of current financial resources and therefore
 are not reported as liabilities in governmental funds.

Pension Obligation	(212,946)	
Compensated Absences	<u>(1,081,328)</u>	
		(1,294,274)

Long-term liabilities, are not due and payable in the current
 period and therefore are not reported in the funds. (16,680,000)

Net Assets of Governmental Activities \$80,487,215

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$7,637,276	\$0	\$1,872,213	\$9,509,489
Tuition and Fees	687,776	0	75,130	762,906
Investment Earnings	433,034	445,238	4,708	882,980
Intergovernmental	20,390,257	52,675,311	3,174,548	76,240,116
Extracurricular Activities	37,178	0	196,834	234,012
Charges for Services	0	0	857,408	857,408
Other Revenues	288,777	0	22,158	310,935
Total Revenues	29,474,298	53,120,549	6,202,999	88,797,846
Expenditures:				
Current:				
Instruction:				
Regular	12,378,515	0	309,909	12,688,424
Special	3,799,029	0	758,140	4,557,169
Vocational	1,181,968	0	43,063	1,225,031
Other	574,182	0	59,286	633,468
Support Services:				
Pupil	1,406,793	0	135,600	1,542,393
Instructional Staff	1,081,113	0	396,304	1,477,417
General Administration	23,219	0	0	23,219
School Administration	2,257,069	0	264,452	2,521,521
Fiscal	1,136,194	0	13,739	1,149,933
Business	371,345	0	0	371,345
Operations and Maintenance	2,767,326	0	714	2,768,040
Pupil Transportation	1,144,387	0	3,510	1,147,897
Central	209,051	0	27,471	236,522
Operation of Non-Instructional Services	722,967	0	1,904,036	2,627,003
Extracurricular Activities	433,552	0	167,053	600,605
Capital Outlay	0	42,767,559	260,739	43,028,298
Debt Service:				
Principal Retirement	0	0	500,000	500,000
Interest and Fiscal Charges	0	0	713,128	713,128
Total Expenditures	29,486,710	42,767,559	5,557,144	77,811,413
Excess of Revenues Over (Under) Expenditures	(12,412)	10,352,990	645,855	10,986,433
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	9,911	0	38,952	48,863
Transfers In	0	0	922,522	922,522
Transfers (Out)	(922,522)	0	0	(922,522)
Total Other Financing Sources (Uses)	(912,611)	0	961,474	48,863
Net Change in Fund Balance	(925,023)	10,352,990	1,607,329	11,035,296
Fund Balance Beginning of Year, Restated	8,117,997	24,167,209	2,384,139	34,669,345
Fund Balance End of Year	\$7,192,974	\$34,520,199	\$3,991,468	\$45,704,641

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balance - Total Governmental Funds \$11,035,296

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

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

Capital assets used in governmental activities	43,227,997	
Depreciation Expense	<u>(890,932)</u>	
		42,337,065

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

Delinquent Property Taxes	919,336	
Intergovernmental	<u>92,572</u>	
		1,011,908

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 500,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 2,165

Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Pension Obligation	(40,848)	
Compensated Absences	<u>456,835</u>	
		<u>415,987</u>

Change in Net Assets of Governmental Activities \$55,302,421

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$625	\$66,374
Total Assets	625	\$66,374
Liabilities:		
Accounts Payable	0	1,000
Other Liabilities	0	65,374
Total Liabilities	0	\$66,374
Net Assets:		
Held in Trust	625	
Total Net Assets	\$625	

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004

	<u>Private Purpose Trust</u>
Additions:	
Donations	<u>\$1,614</u>
Total Additions	<u>1,614</u>
Deductions:	
Scholarships	<u>1,400</u>
Total Deductions	<u>1,400</u>
Change in Net Assets	214
Net Assets Beginning of Year	<u>411</u>
Net Assets End of Year	<u><u>\$625</u></u>

See accompanying notes to the Basic Financial Statements.

**MAD RIVER LOCAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

1. DESCRIPTION OF THE DISTRICT

The Mad River Local School District (the "District") is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

Management believes the financial statements included in this report represent all of the funds of the District over which the Board of Education has the ability to exercise direct operating control.

REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

Fiduciary Funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

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

Governmental Funds

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

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

Classroom Facilities Fund - This fund accounts for the financial transactions related to the construction of classroom facilities.

Fiduciary Funds

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

BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

CASH AND CASH EQUIVALENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2004 amounted to \$882,980.

INVENTORY

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

CAPITAL ASSETS

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	20 years
Buildings	20 years
Building Improvements	45 years
Equipment and Vehicles	5 - 20 years

COMPENSATED ABSENCES

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

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

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

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	20 days per year	10-20 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination

<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	300 days	300 days	300 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/4 paid upon retirement	1/4 paid upon retirement	1/4 paid upon retirement

NET ASSETS

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

FUND BALANCE RESERVES AND DESIGNATIONS

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, inventory, budget stabilization and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

INTERFUND ACTIVITY

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

FUND EQUITY

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

ESTIMATES

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

RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government or imposed by enabling legislation.

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

Restricted assets in the classroom facilities fund represents cash and cash equivalents retained by the District to pay contractors on the completion of their work.

3. CASH AND CASH EQUIVALENTS

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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

Deposits – At the year end, the carrying amount of the District's deposits was \$771,936. The bank balance of deposits was \$1,008,950 of which \$100,000 was covered by federal depository insurance. The remaining balance was covered by 105% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

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

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Federal Agency Security	\$0	\$0	\$23,845,003	\$23,845,003
Repurchase Agreement	0	0	12,706,000	12,706,000
State Treasury Pool*	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,195,477</u>
Total Investments	<u>\$0</u>	<u>\$0</u>	<u>\$36,551,003</u>	<u>\$51,746,480</u>

*The District's investment in the Ohio State Treasury Pool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

4. PROPERTY TAXES

Real property taxes collected in 2004 were levied in April on the assessed values as of January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2004, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2004, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2004 and for which there is an enforceable legal claim. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004, was \$358,784 for General Fund and \$95,935 for other Governmental Funds. These amounts are recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2004 operations.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$223,953,390
Public Utility Personal	12,746,810
Tangible Personal Property	<u>14,234,451</u>
Total	<u>\$250,934,651</u>

5. RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Government Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$916,000	\$0	\$0	\$916,000
Construction in Progress	<u>2,524,852</u>	<u>43,027,096</u>	<u>0</u>	<u>45,551,948</u>
Total Capital Assets, not being depreciated	<u>3,440,852</u>	<u>43,027,096</u>	<u>0</u>	<u>46,467,948</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	11,072,268	0	0	11,072,268
Equipment	<u>10,229,173</u>	<u>200,901</u>	<u>1,049,791</u>	<u>9,380,283</u>
<i>Total Capital Assets, being depreciated</i>	<u>21,301,441</u>	<u>200,901</u>	<u>1,049,791</u>	<u>20,452,551</u>
Totals at Historical Cost	<u>\$24,742,293</u>	<u>\$43,227,997</u>	<u>\$1,049,791</u>	<u>\$66,920,499</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$7,672,469	\$281,464	\$0	\$7,953,933
Equipment	<u>7,598,890</u>	<u>609,468</u>	<u>1,049,791</u>	<u>7,158,567</u>
Total Accumulated Depreciation	<u>\$15,271,359</u>	<u>\$890,932</u>	<u>\$1,049,791</u>	<u>\$15,112,500</u>
Governmental Activities Capital Assets, Net	<u>\$9,470,934</u>	<u>\$42,337,065</u>	<u>\$0</u>	<u>\$51,807,999</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$416,875
Special		73,158
Vocational		138,338
Support Services:		
Pupil		72,206
Instructional Staff		6,095
School Administration		72,206
Operations and Maintenance		<u>112,054</u>
Total Depreciation Expense		<u>\$890,932</u>

7. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
<u>General Obligation Bonds and Notes:</u>						
Energy Conservation Note 1994 5.375%	06/01/04	\$110,000	\$0	\$ 110,000	\$0	\$0
Ohio School Facility Project Bond 2002 5.145%	12/01/24	<u>17,070,000</u>	<u>0</u>	<u>390,000</u>	<u>16,680,000</u>	<u>415,000</u>
Total General Obligation Bonds and Notes		17,180,000	0	500,000	16,680,000	415,000
Compensated Absences		<u>1,926,342</u>	<u>287,993</u>	<u>1,004,098</u>	<u>1,210,237</u>	<u>338,204</u>
Total Governmental Activities Long-Term Liabilities		<u>\$19,106,342</u>	<u>\$287,993</u>	<u>\$1,504,098</u>	<u>\$17,890,237</u>	<u>\$753,204</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$415,000	\$813,637	\$1,228,637
2006	435,000	801,500	1,236,500
2007	530,000	785,748	1,315,748
2008	560,000	766,238	1,326,238
2009	595,000	743,986	1,338,986
2010-2014	4,190,000	3,241,891	7,431,891
2015-2019	3,695,000	2,133,620	5,828,620
2020-2024	4,965,000	1,013,115	5,978,115
2025	<u>1,295,000</u>	<u>33,184</u>	<u>1,328,184</u>
Totals	<u>\$16,680,000</u>	<u>\$10,332,919</u>	<u>\$27,012,919</u>

8. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$660,672, \$601,284 and \$560,508 respectively; 51.6% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

STATE TEACHERS RETIREMENT SYSTEM

The School District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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% 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 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 disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$2,076,048, \$2,039,724 and \$1,985,436 respectively; 82.7% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

9. POST EMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored 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, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$92,408 for the fiscal year 2004.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$142,033.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of 300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits. For the District, this amount equaled \$275,123 during the 2004 fiscal year.

10. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2004.

LITIGATION

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

11. RISK MANAGEMENT

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

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

	<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance End of Year</u>
2004	\$46,189	\$248,005	\$238,610	\$55,584
2003	44,479	225,906	224,196	46,189
2002	43,063	229,484	228,068	44,479

There were no significant reductions in insurance coverage from coverage in the prior year.

Settlements have not exceeded insurance coverage in any of the last three fiscal years.

12. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

13. CONSTRUCTION COMMITMENTS

As of June 30, 2004, the District had the following commitment with respects to capital projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>
New Buildings	\$8,206,410

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

14. FUND BALANCE RESERVES FOR SET-ASIDES

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

For fiscal year ended June 30, 2004, the District was no longer required to set aside additional funds in the budget reserve set-aside.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2003	\$ 0	\$ 0	\$247,176
Current Year Set-aside Requirement	519,363	519,393	0
Qualified Disbursements	(825,894)	0	0
Current Year Offsets	<u>0</u>	<u>(519,363)</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$247,176</u>
Restricted Cash as of June 30, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$247,176</u>

Offset credits for capital activity during the year exceeded the amount required for the set-aside, resulting in offset credits available for carryover to offset capital reserve requirements of future years. Qualifying disbursements and carryover from prior years for textbooks also exceeded the required set-aside amount, resulting in carryover of \$306,531 to offset textbook requirements in future years.

15. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2004, consisted of the following individual fund receivables and payables:

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$216,258	\$47,793	\$0	\$922,522
Nonmajor Funds:				
Local Grants	0	15,678	0	0
Student Activity	0	5,944	47,630	0
Auxiliary Services	0	2,875	0	0
Vocational Education Enhancement	0	3,621	0	0
Miscellaneous State Grants	0	2,528	0	0
Vocational Education Perkins	0	5,007	0	0
Title I	0	45,272	0	0
Title V Innovative Education	1,264	0	0	0
Improving Teacher Quality	0	0	1,987	0
Miscellaneous Federal Grants	0	18,596	0	0
Career Development	3,229	0	0	0
Building	0	0	872,905	0
Replacement	<u>37,563</u>	<u>111,000</u>	<u>0</u>	<u>0</u>
Total Nonmajor Funds	<u>42,056</u>	<u>210,521</u>	<u>922,522</u>	<u>0</u>
Total All Funds	<u>\$258,314</u>	<u>\$258,314</u>	<u>\$922,522</u>	<u>\$922,522</u>

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

16. PRIOR PERIOD ADJUSTMENT

The beginning net asset/fund balances of other governmental funds, enterprise, internal service, and governmental activities have been adjusted for the correction of capital assets and the reclassification of enterprise and internal service funds as follows:

	General <u>Fund</u>	Internal <u>Service</u>	Other Governmental <u>Funds</u>	<u>Enterprise</u>	Governmental <u>Activities</u>
June 30, 2003 Fund Balance/ Net Assets, as previously stated	\$8,092,879	\$25,118	\$2,300,363	\$187,031	\$23,989,456
Fund Reclassification	25,118	(25,118)	83,776	(187,031)	187,031
Net Capital Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,008,307</u>
June 30, 2003 Fund Balance/ Net Assets, as restated	<u>\$8,117,997</u>	<u>\$0</u>	<u>\$2,384,139</u>	<u>\$0</u>	<u>\$25,184,794</u>

17. ACCOUNTABILITY AND COMPLIANCE

Ohio Revised Code Sec. 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. At year-end the District had disbursements exceeding appropriations in the following funds: Debt Service fund \$9,738, Lunchroom fund \$46,909, Classroom Facilities fund \$14,639,555, Special Enterprise fund \$2,365, Employee Benefits fund \$32,248, EMIS fund \$9,039, Vocational Education Enhancement fund \$1,994.

Ohio Revised Code Sec. 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. During the year the District had disbursements exceeding appropriations in the following funds: Classroom Facilities fund \$9,980,911, Miscellaneous Local Grants \$115,145, Special Enterprise fund \$14,263, Athletics fund \$25,183, Schoolnet Professional fund \$1,266, Ohio Reads fund \$21,147, Student Reading Intervention fund \$8,570.

Ohio Revised Code Sec. 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources. During the year the District had appropriations exceeding resources in the following funds: General fund \$241,182.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Mad River Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2004

	General Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$7,469,420	\$7,533,404	\$7,799,183	\$265,779
Tuition and Fees	293,967	296,485	306,945	10,460
Investment Earnings	233,861	235,865	244,186	8,321
Intergovernmental	19,504,491	19,671,570	20,365,584	694,014
Other Revenues	250,506	252,651	261,565	8,914
Total Revenues	27,752,245	27,989,975	28,977,463	987,488
Expenditures:				
Current:				
Instruction:				
Regular	13,441,841	14,004,484	12,733,983	1,270,501
Special	3,890,686	4,053,540	3,685,799	367,741
Vocational	1,222,972	1,274,162	1,158,569	115,593
Other	561,328	584,824	531,768	53,056
Support Services:	0			
Pupil	1,467,564	1,528,993	1,390,281	138,712
Instructional Staff	1,084,847	1,130,256	1,027,718	102,538
General Administration	136,572	142,289	129,380	12,909
School Administration	2,182,189	2,273,530	2,067,273	206,257
Fiscal	1,174,510	1,223,672	1,112,659	111,013
Business	387,946	404,184	367,516	36,668
Operations and Maintenance	2,778,258	2,894,550	2,631,953	262,597
Pupil Transportation	1,191,363	1,241,231	1,128,625	112,606
Central	207,360	216,039	196,440	19,599
Operation of Non-Instructional Services	8,496	8,852	8,049	803
Extracurricular Activities	449,654	468,476	425,975	42,501
Total Expenditures	30,185,586	31,449,082	28,595,988	2,853,094
Excess of Revenues Over (Under) Expenditures	(2,433,341)	(3,459,107)	381,475	3,840,582
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	9,492	9,573	9,911	338
Advances In	18,742	18,902	19,569	667
Advances (Out)	(102,947)	(107,256)	(97,526)	9,730
Transfers In	0	0	0	0
Transfers (Out)	(973,803)	(1,014,564)	(922,522)	92,042
Total Other Financing Sources (Uses)	(1,048,516)	(1,093,345)	(990,568)	102,777
Net Change in Fund Balance	(3,481,857)	(4,552,452)	(609,093)	3,943,359
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	10,456,401	10,456,401	10,456,401	0
Fund Balance End of Year	\$6,974,544	\$5,903,949	\$9,847,308	\$3,943,359

See accompanying notes to the required supplementary information.

MAD RIVER LOCAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2004

1. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2004.

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

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

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$925,023)
Net Adjustment for Revenue Accruals	(521,266)
Net Adjustment for Expenditure Accruals	1,723,463
Encumbrances	<u>(886,267)</u>
Budget Basis	<u>(\$609,093)</u>

MAD RIVER LOCAL SCHOOL DISTRICT

Single Audit Reports

June 30, 2004



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

March 7, 2005

To the Board of Education:

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mad River Local School District, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings as items 2004-001, 2004-002 and 2004-003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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



Plattenburg & Associates, Inc.
Plattenburg & Associates, Inc.
Certified Public Accountants



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

March 7, 2005

To the Board of Education:

Compliance

We have audited the compliance of the Mad River Local School District, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results portion of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

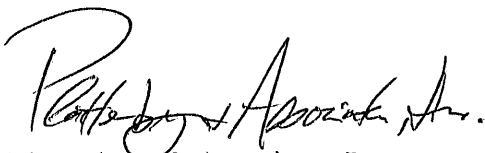
The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control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

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

Schedule of Federal Awards Expenditures

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2004, and have issued our report thereon dated March 7, 2005. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Plattenburg & Associates, Inc.
Certified Public Accountants

MAD RIVER LOCAL SCHOOL DISTRICT
June 30, 2004

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number 2004-001

Noncompliance Citation

Ohio Revised Code Sec. 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. At year end the District had disbursements exceeding appropriations in the following funds: Debt Service fund \$9,738, Lunchroom fund \$46,909, Classroom Facilities fund \$14,639,555, Special Enterprise fund \$2,365, Employee Benefits fund \$32,248, EMIS fund \$9,039, and Vocation Education Enhancement fund \$1,994. Expenditures should be monitored periodically to ensure compliance.

Finding Number 2004-002

Noncompliance Citation

Ohio Revised Code Sec. 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. During the year the District had disbursements exceeding appropriations in the following funds: Classroom Facilities fund \$9,980,911, Miscellaneous Local Grants \$115,145, Special Enterprise fund \$14,263, Athletics fund \$25,183, Schoolnet Professional fund \$1,266, Ohio Reads fund \$21,147, Student Reading Intervention fund \$8,570. Expenditures should be monitored to ensure compliance.

Finding Number 2004-003

Noncompliance Citation

Ohio Revised Code Sec. 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources. During the year the District had appropriations exceeding estimated resources in the following funds: General Revenue \$241,182. Appropriations and estimated resources should be monitored to ensure compliance.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted.

MAD RIVER LOCAL SCHOOL DISTRICT
JUNE 30, 2004

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

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

MAD RIVER LOCAL SCHOOL DISTRICT

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	NN-N1	10,550	\$0	\$150,584	\$0	\$150,584
National School Breakfast Program	05-PU	10,553	35,387	0	35,387	0
National School Lunch Program	04-PU	10,555	433,261	0	433,261	0
National Summer Lunch Program	23-ML	10,559	56,338	0	39,038	0
Total U.S. Department of Agriculture - Nutrition Cluster			524,986	150,584	507,686	150,584
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI - B Grant	6B-SF	84.027	514,981	0	495,835	0
Preschool Grant	PG-S1	84.173	17,036	0	16,853	0
Total Special Education Cluster			532,017	0	512,688	0
Title I Grant	C1-S1	84.010	329,449	0	420,596	0
Vocational Educational Grant	20-C1	84.048	79,853	0	83,259	0
Title V	C2-S1	84.298	25,438	0	25,438	0
Drug Free Schools Grant	DR-S1	84.186	16,571	0	14,905	0
Eisenhower Professional Development	MS-S1	84.281	0	0	1,987	0
School Renovation, Idea & Technology	AT-S4	84.352	0	0	723	0
Tech Literacy	*	84.318	14,846	0	12,979	0
Immigrant Title III	*	84.365	5,109	0	3,773	0
Teacher & Principal Training & Recruitment	TR-S1	84.367	176,530	0	159,372	0
Total Department of Education			1,179,813	0	1,235,720	0
DIRECT PROGRAMS						
U.S. DEPARTMENT OF EDUCATION						
Impact Aid Grant	*	84.041	1,219,440	0	1,219,440	0
Total Department of Education - Direct			1,219,440	0	1,219,440	0
Total Federal Assistance			\$2,924,239	\$150,584	\$2,962,846	\$150,584

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

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

* Information unavailable



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 26, 2005**