MAD RIVER LOCAL SCHOOL DISTRICT

Basic Financial Statements

June 30, 2007

with

Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Mad River Local School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 7, 2008

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MAD RIVER LOCAL SCHOOL DISTRICT

Table of Contents

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mad River Local School District (the District) as of and for the year ended June 30, 2007, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mad River Local School District, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 and the budgetary comparison schedule and notes on pages 41 through 43 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
February 29, 2008

MAD RIVER LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2007
(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, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Net assets of governmental activities increased $1,048,519 which represents a 1.3% increase from 2006.

- General revenues accounted for $33,385,173 in revenue or 79.8% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $8,424,879 or 20.2% of total revenues of $41,810,052.

- The District had $40,761,533 in expenses related to governmental activities; $8,424,879 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $33,385,173 were adequate to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2007?" The Government-wide Financial Statements 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 Government-wide Financial Statements, 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 of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

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

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

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

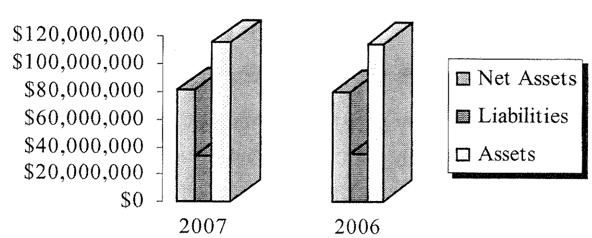
The District as a Whole

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 2007 compared to 2006:

Table 1
Net Assets

	Governmental Activities	
	2007	2006 Restated
Assets		
Current Assets	$30,903,223	$30,197,523
Capital Assets	83,985,074	83,922,573
Total Assets	114,888,297	114,120,096
Liabilities		
Long-Term Liabilities	20,157,243	20,583,823
Other Liabilities	13,876,967	13,730,705
Total Liabilities	34,034,210	34,314,528
Net Assets		
Invested in Capital Assets Net of Debt	66,692,302	65,969,620
Restricted	6,987,151	7,249,833
Unrestricted	7,174,634	6,586,115
Total Net Assets	$80,854,087	$79,805,568



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by $80,854,087.

At year-end, capital assets represented 73% of total assets. Capital assets include land, buildings and improvements and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2007, was $66,692,302. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, $6,987,151, represents resources that are subject to external restriction on how they must be used. The remaining balance of unrestricted net assets of $7,174,634 may be used to meet the District's ongoing obligations to the students and creditors. The external restriction will not affect the availability of fund resources for future use.

Current assets increased mainly due to an increase in Equity in Pooled Cash and Investments which was a result of the District holding a larger balance of investments compared to the prior year. Long-term liabilities decreased mainly due to the District continuing to make payments on their long-term debt obligations.

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

Table 2
Changes in Net Assets

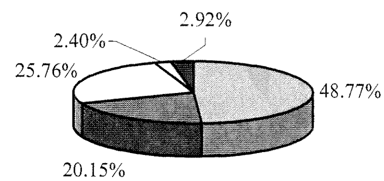
	Governmental Activities	
	2007	2006 Restated
Revenues		
Program Revenues:		
Charges for Services	$2,100,353	$2,056,048
Operating Grants	6,218,613	5,833,782
Capital Grants	105,913	883,099
General Revenue:		
Property Taxes	10,769,342	9,858,568
Grants and Entitlements	20,390,845	20,149,553
Other	2,224,986	1,430,780
Total Revenues	41,810,052	40,211,830
Program Expenses:		
Instruction	23,263,649	23,206,005
Support Services:		
Pupil and Instructional Staff	4,060,071	3,938,917
General and School Administrative, Fiscal and Business	3,898,939	4,068,564
Operations and Maintenance	3,622,489	3,682,600
Pupil Transportation	1,331,424	1,224,778
Central	370,780	309,796
Operation of Non-Instructional Services	2,890,111	2,503,433
Extracurricular Activities	524,074	493,486
Interest and Fiscal Charges	799,996	708,171
Total Expenses	40,761,533	40,135,750
Change in Net Assets	1,048,519	76,080
Beginning Net Assets	79,805,568	79,729,488
Ending Net Assets	$80,854,087	$79,805,568

The District revenues are usually from two sources. Property taxes levied for general, special revenue, debt service and capital project purposes and grants and entitlements comprised 74.5% 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 25.8% of revenue for governmental activities for the District in fiscal year 2007.

Revenue Sources	2007	Percent of Total
General Grants	$20,390,845	48.77%
Program Revenues	8,424,879	20.15%
General Tax Revenues	10,769,342	25.76%
Investment Earnings	1,005,257	2.40%
Other Revenues	1,219,729	2.92%
	$41,810,052	100.00%



Instruction comprises 57.1% of governmental program expenses. Support services expenses were 32.6% of governmental program expenses. All other expenses including interest expense was 10.3%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Capital grants and contributions decreased from prior years mainly because the District received most of their grant monies for the construction project in 2006 and in 2005. Property taxes revenue increased mainly due to the District receiving more money in property tax receipts from the county auditor in 2007 as compared to 2006. Other revenues increased mainly due to an increase in investment revenue from the prior year. Total Expenses increased due to general inflationary costs.

Governmental Activities

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	
	2007	2006 Restated	2007	2006 Restated
Instruction	$23,263,649	$23,206,005	($18,946,430)	($18,002,265)
Support Services:				
Pupil and Instructional Staff	4,060,071	3,938,917	(3,245,366)	(3,385,093)
General and School Administrative, Fiscal and Business	3,898,939	4,068,564	(3,408,761)	(3,751,189)
Operations and Maintenance	3,622,489	3,682,600	(3,610,128)	(3,649,082)
Pupil Transportation	1,331,424	1,224,778	(1,141,311)	(1,144,672)
Central	370,780	309,796	(348,255)	(283,383)
Operation of Non-Instructional Services	2,890,111	2,503,433	(622,809)	(205,205)
Extracurricular Activities	524,074	493,486	(213,598)	(233,761)
Interest and Fiscal Charges	799,996	708,171	(799,996)	(708,171)
Total Expenses	$40,761,533	$40,135,750	($32,336,654)	($31,362,821)

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised $21,657,131 (68%) of the total $32,082,904 governmental funds assets.

General Fund: Fund balance at June 30, 2007 was $9,345,456 an increase in fund balance of $742,201 from 2006. The primary reason for the increase in fund balance was due to an increase in taxes revenue and investment earnings.

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 2007, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budgeted revenue was $34,333,119, compared to original budget estimates of $33,306,691. Of the $1,026,428 difference, most was due to a conservative estimate for taxes and intergovernmental revenue. Final budgeted expenditures was $42,592,760, compared to original estimates of $31,753,422. Of the $10,839,338 difference, most was due to a conservative estimate for instruction and support services expenditures.

The District's ending unobligated cash balance was $9,281,250 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had $83,985,074 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2007 balances compared to fiscal 2006:

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

	Governmental Activities	
	2007	2006
Land	$916,000	$916,000
Buildings and Improvements	81,931,271	81,572,895
Equipment	1,137,803	1,433,678
Total Net Capital Assets	$83,985,074	$83,922,573

The increase in capital assets is due to current year additions exceeding current year depreciation expense.

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

Debt

At June 30, 2007, the District had $17,292,772 in bonds and capital leases outstanding, $816,000 due within one year. Table 5 summarizes bonds outstanding. These bonds and the capital lease were used for the construction (and renovation) of school buildings.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2007	2006
Bonds and Leases Payable:		
Ohio School Facility Project Bond	$6,405,000	$6,935,000
Refunding Bonds:		
Current Interest Bonds		
Classroom Facilities	8,635,000	8,875,000
Capital Appreciation Bonds	20,000	20,000
Interest Accretion on		
Capital Appreciation Bonds	982,448	942,533
Accrued Premium on Refunding Bonds	26,245	27,745
Deferred Amount on Refunding Bonds	(767,921)	(811,802)
Capital Lease	1,992,000	2,117,000
Total Bonds and Leases	$17,292,772	$18,105,476

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

For the Future

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

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.

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, 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 Amy Twarek, 801 Harshman Road, Riverside, OH 45431. Or E-mail at amy.twarek@madriverschools.org.

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	$19,531,743
Restricted Cash and Investments	247,176
Receivables:	
Taxes	10,441,966
Accounts	63,686
Intergovernmental	454,830
Deferred Bond Issuance Costs	144,279
Inventory	19,543
Nondepreciable Capital Assets	916,000
Depreciable Capital Assets, Net	83,069,074
Total Assets	114,888,297
Liabilities:	
Accounts Payable	449,565
Accrued Wages and Benefits	3,774,676
Accrued Interest Payable	54,225
Unearned Revenue	9,430,905
Claims Payable	67,481
Matured Compensated Absences	100,115
Long-Term Liabilities:	
Due Within One Year	1,383,186
Due In More Than One Year	18,774,057
Total Liabilities	34,034,210
Net Assets:	
Invested in Capital Assets, Net of Related Debt	66,692,302
Restricted for:	
Special Revenue	2,024,768
Debt Service	941,023
Capital Projects	3,774,184
Set-Aside	247,176
Unrestricted	7,174,634
Total Net Assets	$80,854,087

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	$15,979,735	$566,393	$1,048,408	$73,776	($14,291,158)
Special	3,996,407	96,225	2,004,135	0	(1,896,047)
Vocational	1,960,224	0	528,282	0	(1,431,942)
Other	1,327,283	0	0	0	(1,327,283)
Support Services:					
Pupil	1,979,766	0	363,782	0	(1,615,984)
Instructional Staff	2,080,305	0	450,923	0	(1,629,382)
General Administration	102,733	0	0	0	(102,733)
School Administration	2,540,463	218,552	271,626	0	(2,050,285)
Fiscal	1,192,114	0	0	0	(1,192,114)
Business	63,629	0	0	0	(63,629)
Operations and Maintenance	3,622,489	0	12,361	0	(3,610,128)
Pupil Transportation	1,331,424	56,297	101,679	32,137	(1,141,311)
Central	370,780	0	22,525	0	(348,255)
Operation of Non-Instructional Services	2,890,111	852,410	1,414,892	0	(622,809)
Extracurricular Activities	524,074	310,476	0	0	(213,598)
Interest and Fiscal Charges	799,996	0	0	0	(799,996)
Totals	$40,761,533	$2,100,353	$6,218,613	$105,913	($32,336,654)

General Revenues:	
Property Taxes Levied for:	
General Purposes	9,447,648
Special Revenue Purposes	107,686
Debt Service Purposes	1,214,008
Grants and Entitlements not Restricted to Specific Programs	20,390,845
Unrestricted Contributions	5,269
Investment Earnings	1,005,257
Other Revenues	1,214,460
Total General Revenues	33,385,173
Change in Net Assets	1,048,519
Net Assets Beginning of Year, Restated	79,805,568
Net Assets End of Year	$80,854,087

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Balance Sheet
Governmental Funds
June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	$10,956,865	$8,574,878	$19,531,743
Restricted Cash and Investments	247,176	0	247,176
Receivables:			
Taxes	9,075,539	1,366,427	10,441,966
Accounts	54,043	9,643	63,686
Intergovernmental	2,777	452,053	454,830
Interfund	1,320,731	3,229	1,323,960
Inventory	0	19,543	19,543
Total Assets	21,657,131	10,425,773	32,082,904
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	348,364	101,201	449,565
Accrued Wages and Benefits	3,396,921	377,755	3,774,676
Compensated Absences	0	394,437	394,437
Interfund Payable	0	1,323,960	1,323,960
Deferred Revenue	8,498,909	1,446,991	9,945,900
Claims Payable	67,481	0	67,481
Total Liabilities	12,311,675	3,644,344	15,956,019
Fund Balances:			
Reserved for Encumbrances	705,517	607,341	1,312,858
Reserved for Inventory	0	19,543	19,543
Reserved for Property Tax Advances	576,630	97,730	674,360
Reserved for Set-Aside	247,176	0	247,176
Unreserved, Undesignated, Reported in:			
General Fund	7,816,133	0	7,816,133
Special Revenue Funds	0	1,688,619	1,688,619
Debt Service Funds	0	865,502	865,502
Capital Projects Funds	0	3,502,694	3,502,694
Total Fund Balances	9,345,456	6,781,429	16,126,885
Total Liabilities and Fund Balances	$21,657,131	$10,425,773	$32,082,904

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, 2007

Total Governmental Fund Balance		$16,126,885
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.		83,985,074
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	336,701	
Intergovernmental	178,294	
		514,995
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.		(54,225)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	(2,570,149)	
		(2,570,149)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		144,279
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		(17,292,772)
Net Assets of Governmental Activities		$80,854,087

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, 2007

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$9,475,718	$1,325,295	$10,801,013
Tuition and Fees	437,139	261,867	699,006
Investment Earnings	897,920	107,336	1,005,256
Intergovernmental	22,984,581	3,687,993	26,672,574
Extracurricular Activities	28,107	239,054	267,161
Charges for Services	0	852,410	852,410
Other Revenues	621,561	868,942	1,490,503
Total Revenues	34,445,026	7,342,897	41,787,923
Expenditures:			
Current:			
Instruction:			
Regular	14,154,458	579,426	14,733,884
Special	3,038,022	735,558	3,773,580
Vocational	1,562,487	36,430	1,598,917
Other	1,327,283	0	1,327,283
Support Services:			
Pupil	1,324,426	559,840	1,884,266
Instructional Staff	1,806,905	272,186	2,079,091
General Administration	102,733	0	102,733
School Administration	2,057,357	367,725	2,425,082
Fiscal	1,149,467	35,713	1,185,180
Business	30,731	33,300	64,031
Operations and Maintenance	3,392,196	151,474	3,543,670
Pupil Transportation	1,083,871	2,340	1,086,211
Central	350,819	13,750	364,569
Operation of Non-Instructional Services	371,624	2,476,502	2,848,126
Extracurricular Activities	443,531	80,543	524,074
Capital Outlay	3,555	2,131,216	2,134,771
Debt Service:			
Principal Retirement	125,000	770,000	895,000
Interest and Fiscal Charges	93,868	664,210	758,078
Total Expenditures	32,418,333	8,910,213	41,328,546
Excess of Revenues Over (Under) Expenditures	2,026,693	(1,567,316)	459,377
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	11,319	0	11,319
Transfers In	888	1,296,700	1,297,588
Transfers (Out)	(1,296,699)	(889)	(1,297,588)
Total Other Financing Sources (Uses)	(1,284,492)	1,295,811	11,319
Net Change in Fund Balance	742,201	(271,505)	470,696
Fund Balance Beginning of Year	8,603,255	7,052,934	15,656,189
Fund Balance End of Year	$9,345,456	$6,781,429	$16,126,885

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, 2007

Net Change in Fund Balance - Total Governmental Funds			$470,696
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		2,152,342	
Depreciation Expense		(2,089,841)	
			62,501
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Delinquent Property Taxes	(31,671)		
Intergovernmental	42,481		
			10,810
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			895,000
In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due.			48,622
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Compensated Absences	(348,570)		
Amortization of Bond Issuance Cost	(8,244)		
Amortization of Bond Premium	1,500		
Amortization of Deferred Charge on Refunding	(43,881)		
Bond Accretion	(39,915)		
			(439,110)
Change in Net Assets of Governmental Activities			$1,048,519

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	$979	$80,878
Receivables:		
Accounts	0	1,680
Total Assets	979	$82,558
Liabilities:		
Accounts Payable	0	1,936
Other Liabilities	0	80,622
Total Liabilities	0	$82,558
Net Assets:		
Held in Trust	979	
Total Net Assets	$979	

See accompanying notes to the Basic Financial Statements.

Mad River Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust
Additions:	
Donations	$1,101
Other	699
Total Additions	1,800
Deductions:	
Scholarships	1,815
Total Deductions	1,815
Change in Net Assets	(15)
Net Assets Beginning of Year	994
Net Assets End of Year	$979

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, 2007

1. DESCRIPTION OF THE DISTRICT

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

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

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

REPORTING ENTITY

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

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

The District is associated with one organization that is defined as a jointly governed organization. This organization is the Metropolitan Dayton Educational Computer Association. This organization is presented in Note 18.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 (except agency 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 is the District's major governmental fund:

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

Fiduciary Funds

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

BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

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

EQUITY IN POOLED CASH AND INVESTMENTS

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 2007. 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 Rule2A7 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, 2007.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2007 amounted to $897,420 in the general fund and $107,336 in other governmental funds.

INVENTORY

Inventories are presented at cost on a first-in, first-out basis and are expended/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 capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of twenty-five hundred dollars ($2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Activities Estimated Lives
Buildings and Improvements	5 - 50 years
Equipment	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. Compensated absences are reported in governmental funds only if they have matured.

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

Vacation	Certified	Administrators	Non-Certificated
How Earned	Not Eligible	20 days per year	10-20 days for each service year depending on length of service – bonus of maximum 5 days eligible
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Used prior to termination	Used prior to termination
Sick Leave			
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. Of the District's $6,987,151 restricted net assets reported at fiscal year end, none were restricted by enabling legislation.

INTERFUND ACTIVITY

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

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

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

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, inventory, 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 equity in pooled cash and investments set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

(1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

(2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.

(3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

(4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts

(5) Bonds and other obligations of the State of Ohio.

(6) The Ohio State Treasurer's investment pool (STAR Ohio).

(7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

(8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2007, the District's bank balance of $6,311 was not exposed to custodial risk because it was covered by federal depository insurance with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
Federal Home Loan Bank	$7,008,738	0.80
Federal Home Loan Mortgage	2,009,508	0.56
Federal National Mortgage Association	4,923,820	0.94
Negotiable CD's	493,000	0.34
STAROhio	4,352,115	0.11
Repurchase Agreement	1,746,000	0.00
Total Fair Value	$20,533,181	
Portfolio Weighted Average Maturity		0.57

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAAm by Standards & Poor's. The District's investments in Federal Home Loan Bank, Federal Home Loan Mortgage, Federal National Mortgage Association, and Negotiable CD's were rated AAA by Standard and Poor's and Fitch ratings and Aaa by Moody's Investors Service. Repurchase agreements which are unrated, shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required in Ohio Revised Code 135.

Concentration of credit risk – The District's investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested 34% in Federal Home Loan Bank, 10% in Federal Home Loan Mortgage, 24% in Federal National Mortgage Association, 2% in Negotiable CD's, 21% in STAROhio, and 9% in Repurchase Agreements.

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

4. PROPERTY TAXES

Real property taxes collected in 2007 were levied in April on the assessed values as of January 1, 2006, 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). Each business was eligible to receive a $10,000 exemption in assessed value which was reimbursed by the State.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing and equipment first reportable on the 2006 and subsequent year returns is not subject to the personal property tax.

Real property taxes are payable annually or semi-annually. In 2007, 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, 2007 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, 2007. 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, 2007, was $576,630 for General Fund and $97,730 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 2007 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 2007 taxes were collected are:

	Amount
Agricultural/Residential and Other Real Estate	$243,296,520
Public Utility Personal	10,153,824
Tangible Personal Property	11,084,980
Total	$264,535,324

5. RECEIVABLES

Receivables at June 30, 2007, 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, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$916,000	$0	$0	$916,000
Capital Assets, being depreciated:				
Buildings and Improvements	84,733,340	2,125,256	0	86,858,596
Equipment	4,034,708	27,086	33,800	4,027,994
Totals at Historical Cost	89,684,048	2,152,342	33,800	91,802,590
Less Accumulated Depreciation:				
Buildings and Improvements	3,160,445	1,766,880	0	4,927,325
Equipment	2,601,030	322,961	33,800	2,890,191
Total Accumulated Depreciation	5,761,475	2,089,841	33,800	7,817,516
Governmental Activities Capital Assets, Net	$83,922,573	$62,501	$0	$83,985,074

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$959,258
Special	219,439
Vocational	359,378
Support Services:	
Pupil	120,267
School Administration	67,419
Operations and Maintenance	87,979
Pupil Transportation	242,231
Operation of Non-Instructional Services	33,870
Total Depreciation Expense	$2,089,841

7. LONG-TERM LIABILITIES

	Interest Rate	Restated Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
Ohio School Facility Project Bond	5.15%	$6,935,000	$0	$530,000	$6,405,000	$560,000
Refunding Bonds:						
Current Interest Bonds						
Classroom Facilities	3.75-4.25%	8,875,000	0	240,000	8,635,000	125,000
Capital Appreciation Bonds	4.08-4.13%	20,000	0	0	20,000	0
Interest Accretion on						
Capital Appreciation Bonds		942,533	39,915	0	982,448	0
Accrued Premium on Refunding Bonds		27,745	0	1,500	26,245	0
Deferred Amount on Refunding Bonds		(811,802)	0	(43,881)	(767,921)	0
Total General Obligation Bonds		15,988,476	39,915	727,619	15,300,772	685,000
Capital Lease	4.47%	2,117,000	0	125,000	1,992,000	131,000
Total Long Term Debt		18,105,476	39,915	852,619	17,292,772	816,000
Compensated Absences		2,478,347	865,276	379,037	2,964,586	667,301
Total Governmental Activities		$20,583,823	$905,191	$1,231,656	$20,257,358	$1,483,301

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

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

Fiscal Year Ending June 30	General Obligaton Bonds Principal	Interest	Total	Capital Appreciation Bonds Principal	Interest	Total
2008	$685,000	$648,357	$1,333,357	$0	$0	$0
2009	720,000	622,669	1,342,669	0	0	0
2010	840,000	594,385	1,434,385	0	0	0
2011	885,000	559,952	1,444,952	0	0	0
2012	935,000	523,014	1,458,014	0	0	0
2013-2017	3,345,000	1,926,459	5,271,459	20,000	1,425,000	1,445,000
2018-2022	4,305,000	1,161,865	5,466,865	0	0	0
2023-2025	3,325,000	218,770	3,543,770	0	0	0
Total	$15,040,000	$6,255,471	$21,295,471	$20,000	$1,425,000	$1,445,000

8. PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2007, $8,895,000 of bonds outstanding are considered defeased.

9. CAPITAL LEASES – LESSEE DISCLOSURE

The District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned National City Bank as trustee. National City Bank deposited $2,335,000 in the District's name with a fiscal agent for the construction of the project in fiscal year 2006. Amounts will be paid to contractors by the District as the work progresses. The District will then submit invoices to the agent for reimbursement. The District made an interest payment to National City Bank. The lease is renewable annually and expires in 2019. The intention of the District is to renew the lease annually.

At fiscal year-end, project construction was complete. The original amount of $2,335,000 was capitalized as a building and improvement addition in 2006. The District made $125,000 in principal payments for fiscal year 2007. The principal amount owed on the lease at year end is $1,992,000.

The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 4.47% plus an annual administrative fee. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2007.

Fiscal Year Ending June 30,	Long-Term Debt
2008	$216,442
2009	215,531
2010	215,378
2011	214,959
2012	214,274
2013-2017	1,066,573
2018-2019	423,290
Total Minimum Lease Payments	2,566,447
Less: Amount Representing Interest (4.47%)	(553,703)
Less: Additional Program Cost Component	(20,744)
Present Value of Minimum Lease Payments	$1,992,000

10. 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, or by calling (800) 878-5823 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. 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, 2007, 2006, and 2005 were $752,712, $739,032 and $698,520, respectively; 51% has been contributed for fiscal year 2007 and 100% for fiscal year 2006 and 2005.

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 43215-3771 or by calling (614) 227-4090 or by visiting the STRS website at strsoh.org.

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, 2007, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%. 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, 2007, 2006, and 2005 were $2,492,100, $2,294,628 and $2,171,760, respectively; 83% has been contributed for fiscal year 2007 and 100% for fiscal year 2006 and 2005.

11. 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, 2007, 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 $178,007 for the fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (latest information available), the balance in the Fund was $3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were $282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.42 percent of covered payroll. For the District, this amount equaled $183,877 for fiscal year 2007. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at $35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

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

12. 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, 2007.

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.

13. 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:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2007	$65,173	$304,452	$302,144	$67,481
2006	65,524	297,244	297,595	65,173
2005	55,584	302,373	292,433	65,524

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.

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, 2007, 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.

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2006	($974,711)	$0	$247,176
Current Year Set-aside Requirement	590,217	590,217	0
Qualified Disbursements	(897,981)	0	0
Current Year Offsets	0	(15,800,977)	0
Total	($1,282,475)	$0	$247,176
Restricted Cash as of June 30, 2007	$0	$0	$247,176
Carry Forward to FY2008	($1,282,475)	$0	$0

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 $1,282,475 to offset textbook requirements in future years.

15. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2007, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	$1,320,731	$0	$888	$1,296,699
Other Governmental Funds	3,229	1,323,960	1,296,700	889
Total All Funds	$1,323,960	$1,323,960	$1,297,588	$1,297,588

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. ACCOUNTABILITY

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

Fund	
Special Revenue Funds:	
Auxiliary Services	$6,969

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.

17. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required to restate net assets at June 30, 2006 due to new criteria for eligibility for compensated absences. This restatement had the following effect on net assets at June 30, 2006:

	Governmental Activities
Net assets as previously reported, June 30, 2006	$80,836,256
Restatement for compensated absences	(1,030,688)
Net assets restated, June 30, 2006	$79,805,568

18. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Computer Association

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

19. INSURANCE PURCHASING POOLS

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust

The School District also participates in the EPC Benefit Plan Trust (the Plan), a, group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The District did not participate in the dental program. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts.

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, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	$9,050,108	$9,318,252	$9,343,882	$25,630
Tuition and Fees	440,719	453,484	455,025	1,541
Investment Earnings	933,780	970,000	964,091	(5,909)
Intergovernmental	22,259,251	22,946,460	22,981,804	35,344
Extracurricular Activities	27,223	27,999	28,107	108
Other Revenues	595,610	616,924	614,944	(1,980)
Total Revenues	33,306,691	34,333,119	34,387,853	54,734
Expenditures:				
Current:				
Instruction:				
Regular	13,547,091	22,637,812	14,270,143	8,367,669
Special	2,910,580	3,278,734	3,065,927	212,807
Vocational	1,506,357	1,519,736	1,586,756	(67,020)
Other	1,270,913	1,179,989	1,338,746	(158,757)
Support Services:				
Pupil	1,293,057	1,439,096	1,362,072	77,024
Instructional Staff	2,044,349	2,119,919	2,153,462	(33,543)
General Administration	132,569	164,478	139,645	24,833
School Administration	1,997,240	2,330,287	2,103,839	226,448
Fiscal	1,109,950	1,332,472	1,169,192	163,280
Business	30,052	30,921	31,656	(735)
Operations and Maintenance	3,360,505	3,653,224	3,539,866	113,358
Pupil Transportation	1,232,569	1,516,447	1,298,355	218,092
Central	333,500	351,201	351,300	(99)
Operation of Non-Instructional Services	356,027	376,696	375,029	1,667
Extracurricular Activities	417,510	439,240	439,794	(554)
Capital Outlay	3,375	3,640	3,555	85
Debt Service:				
Principal Retirement	125,000	125,000	125,000	0
Interest and Fiscal Charges	82,778	93,868	93,868	0
Total Expenditures	31,753,422	42,592,760	33,448,205	9,144,555
Excess of Revenues Over (Under) Expenditures	1,553,269	(8,259,641)	939,648	9,199,289
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	10,963	11,319	11,319	0
Advances In	101,429	104,700	104,721	21
Advances (Out)	(1,192,110)	(1,227,677)	(1,255,737)	(28,060)
Transfers In	1,482	1,530	1,530	0
Transfers (Out)	(1,230,997)	(1,406,699)	(1,296,699)	110,000
Total Other Financing Sources (Uses)	(2,309,233)	(2,516,827)	(2,434,866)	81,961
Net Change in Fund Balance	(755,964)	(10,776,468)	(1,495,218)	9,281,250
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	11,710,547	11,710,547	11,710,547	0
Fund Balance End of Year	$10,954,583	$934,079	$10,215,329	$9,281,250

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, 2007

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 2007.

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

	General
GAAP Basis	$742,201
Net Adjustment for Revenue Accruals	48,190
Net Adjustment for Expenditure Accruals	(1,233,161)
Encumbrances	(1,052,448)
Budget Basis	$(1,495,218)

MAD RIVER LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Pass Through Number	Receipts	Disbursements
U.S. Department of Agriculture:				
Passed through Ohio Department of Education:				
Food Donations (1)	10.550	NN-N1	$ 81,691	$ 81,691
Nutrition Cluster:				
National School Breakfast Program	10.553	05-PU	154,847	154,847
National School Lunch Program	10.555	LL-P4	605,522	605,522
National Summer Lunch Program	10.559	24-PU	36,902	36,902
Total Nutrition Cluster			797,271	797,271
Total US Department of Agriculture			**878,962**	**878,962**
U.S. Department of Education:				
Impact Aid Grant	84.041	(2)	1,582,652	1,582,652
Smaller Learnings Communities Program	84.215L	(2)	53,926	38,733
Passed through Ohio Department of Education:				
Special Education Cluster:				
Special Education Grants to States	84.027	6B-SF	1,017,245	951,080
Special Education - Preschool Grants	84.173	PG-S1	20,741	22,324
Total Special Education Cluster			1,037,986	973,404
Title I Grants to Local Education Agencies	84.010	C1-S1	491,760	458,171
Vocational Education Grants	84.048	20-C1	102,309	72,833
Safe and Drug Free Schools and Communities	84.186	DR-S1	18,870	18,184
State Grants for Innovative Programs	84.298	C2-S1	6,120	6,389
Education Technology State Grants	84.318	TJ-S1	4,052	5,330
Comprehensive School Reform Grant	84.332	RF-CC	37,296	31,114
English Language Acquisition Grants	84.365	IT-S1	-	560
Improving Teacher Quality State Grants	84.367	TR-S1	113,402	118,472
Hurricane Education Recovery	84.938	HR-01	11,000	21,000
Total U.S. Department of Education			**3,459,373**	**3,326,842**
U.S. Department of Health and Human Services:				
Passed through Montgomery County Department of Jobs and Family Services				
Temporary Assistance for Needy Family	93.558	(3)	230,000	230,000
Total U.S. Department of Health and Human Services			**230,000**	**230,000**
Total Federal Assistance			**$ 4,568,335**	**$ 4,435,804**

(1) - Estimated cash value of food commodities received and used.
(2) - Direct Award Program
(3) - Pass thru number not available

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

MAD RIVER LOCAL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – U.S. DEPARTMENT OF ARGICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first. At June 30, 2007, the School District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

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

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mad River Local School District (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-002 to be a significant deficiency in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2007-001.

We also noted certain matters that we reported to management of the District, in a separate letter dated February 29, 2008.

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

This report is intended solely for the information and use of the Board of Education, management, 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
February 29, 2008

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

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

Compliance

We have audited the compliance of 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 each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in item 2007-004 in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding the allowable costs that are applicable to its Special Education – Grants to States (Title VIB) Program. Compliance with such requirements is necessary in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Mad River Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined above. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in the internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-003 to be a significant deficiency.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in the internal control over compliance described in the accompanying schedule of findings and questioned cost as item 2007-003 to be a material weakness.

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

This report is intended solely for the information and use of the Board of Education, management, 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
February 29, 2008

MAD RIVER LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under §.510?	Yes
(d)(1)(vii)	Major Programs (list):	Impact Aid Grant – CFDA #84.041 *Special Education Cluster:* Title VI-B Grant – CFDA #84.027 Preschool Program – CFDA #84.173
	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding 2007-001: Appropriations Limited by Estimated Resources

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. The district had three funds which had appropriations exceeding the estimated resources during the fiscal year.

The School District should monitor appropriation amounts throughout the year to ensure that the approved estimated resources are not exceeded. If necessary, the School District should amend their certificate of estimated resources throughout the year if changes appear appropriate.

> *Management Response: The District understands the importance of budgetary compliance throughout the entire year. Efforts are being made to develop more effective monitoring controls over the budgetary process.*

Finding 2007-002: Documentation of Correcting Entries

During fiscal year 2007, the District entered a correcting (memo) entry to its cash basis accounting system to correct issues noted during the prior audit period. There was no effect on the fund balance of the fund the correcting entry was posted to as receipts and expenditures were increased by the same amount. It appears this entry was posted to permit the capitalization of certain capital assets noted in the prior year during fiscal year 2007. In reviewing the documentation supporting this correcting entry, there was no explanation of why the entry was made nor was any supporting documentation included to explain why the entry was posted in the manner that it was or the amount of the correcting entry. Lack of such supporting documentation increases the risk that errors in correcting entries might not be detected on a timely basis.

The District should maintain documents that detail correcting entries on file to provide adequate documentation that supports all entries posted to the general ledger.

> *Management Response: The District understands the importance of appropriate documentation for all entries and will continue to strive to have appropriate documentation for all manual entries made to the accounting system.*

3. FINDINGS RELATED TO THE DISTRICT'S FEDERAL AWARDS

Finding 2007-003: Preparation of Schedule of Expenditures of Federal Awards

OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations (Circular A-133), requires the District to prepare a schedule of expenditures of federal awards for the period covered by the annual financial statements. At a minimum, the schedule should include the following: each individual federal program by federal agency, identification of pass-through entities as well as any identification number assigned by the pass-through entities, the CFDA number assigned to each federal program, the total federal awards expended for each federal program, and disclosures of the significant accounting policies used in preparing the schedule.

The schedule of expenditures of federal awards prepared by the District, which was included in its 4502 statement, was not completed and amounts included were not accurate. Expenditure of federal awards which were accounted for in funds which are not specifically established for federal grants, were not included in the District's schedule of expenditures of federal awards. For fiscal year 2007, the TANF after-school, impact aid, and small learning community grant expenditures were not reported. In addition, some of the amounts reported in the schedule included transfers and advances of non-federal funds as federal revenues and expenditures.

The District should review the schedule of expenditures of federal awards included in the 4502 statement to ensure all federal grant programs are included in the schedule and that amounts reported represent revenues and expenditures of federal funds only.

Management Response: The District understands the importance of completeness of financial information and will make every effort to include all sources of federal revenues and/or expenditures in its preparation of future schedules of expenditures of federal awards.

Finding 2007-004: Special Education – Grants to States Expenditures

Program: Special Education – Grants to States (CFDA # 84.027)
Pass-Through: Ohio Department of Education (Pass-Through # 6B-SF)

20 USC 1401(26) AND 20 USC 1413(a)(2) and (4) states that an LEA may use federal funds under IDEA, Part B for the excess costs of providing special education and related services to children with disabilities. During fiscal year 2007, the District included the payroll and benefit cost of four social workers and / or therapists that serve the entire population at each of the schools in the expenditures it reported associated with the Special Education grant. Although a portion of each employee's time is used for children with special needs, the District did not maintain documentation that supports what percentage of their time is designated for special needs children versus other students.

The total salaries and benefits costs for these individuals which were allocated to the grant in fiscal year 2007 were $260,823.80. Without adequate supporting documentation of time designated for special needs children, the allowability of the entire amount charged to the grant for these individuals is in question.

If the district decided to charge employees wages and benefits to this federal program those employees work should be solely designated for the needs of special needs children or only their time spent on children with specials needs should be allocated to the grant. Additionally, the District should maintain appropriate documentation that supported the time employees charged to the grant.

Management Response: The District has more than enough eligible special education personnel expenditures charged to other funds, however, the discovery of the ineligible IDEA Part B employees was not found in time for the District to be able to make the correction of the funding source for ineligible employees and the corresponding charge of eligible employees. The District has already corrected the finding for future grant years.

MAD RIVER LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected	If not fully corrected, Explain:
2006-001	Capital assets reported did not include all capital assets of the client.	Yes	
2006-002	Calculation of compensated absences liability did not include provision for employees anticipated to retire from the District, only those eligible to retire were included.	Yes	
2006-003	Expenditures plus encumbrance amounts exceeded appropriations approved for several funds during the year.	No	Minor variances were noted and a compliance comment was included in the current management letter.
2006-004	Appropriations exceeded estimated resources for various funds during the fiscal year.	No	Repeated in current audit as Finding 2007-001.

Mary Taylor, CPA
Auditor of State

MAD RIVER LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 17, 2008

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