



Dave Yost · Auditor of State

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mad River Local School District
Montgomery County
801 Old Harshman Road
Riverside, Ohio 45431

To the Board of Education:

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

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

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 Mad River Local School District, Montgomery County, Ohio, as of June 30, 2011, 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.

As described in Note 21, during 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Mad River Local School District
Montgomery County
Independent Accountants' Report
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Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and *required budgetary comparison schedule* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This statement was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 5, 2012

Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(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, 2011. 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 2011 are as follows:

- Net assets of governmental activities decreased \$2,596,671 which represents a 3% decrease from 2010.
- General revenues accounted for \$31,541,905 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,141,570 or 28% of total revenues of \$43,683,475 .
- The District had \$46,280,146 in expenses related to governmental activities; \$12,141,570 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$31,541,905 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

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

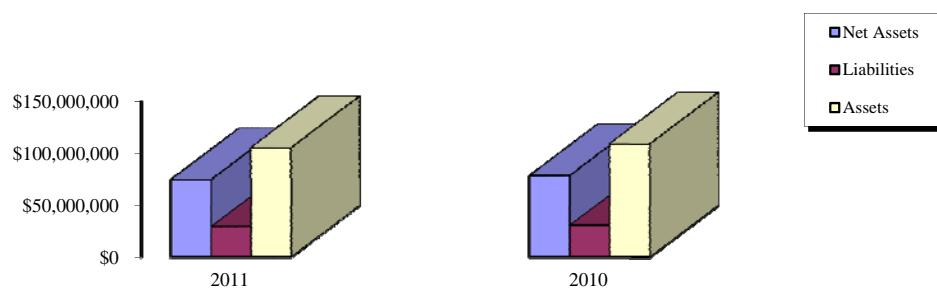
Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

Table 1
 Net Assets

	Governmental Activities	
	2011	2010
Assets:		
Current and Other Assets	\$27,654,871	\$29,910,580
Capital Assets	<u>77,457,875</u>	<u>78,970,401</u>
Total Assets	<u>105,112,746</u>	<u>108,880,981</u>
Liabilities:		
Other Liabilities	13,200,793	13,494,104
Long-Term Liabilities	<u>16,143,087</u>	<u>17,021,340</u>
Total Liabilities	<u>29,343,880</u>	<u>30,515,444</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	64,633,511	65,139,660
Restricted	5,755,379	5,627,172
Unrestricted	<u>5,379,976</u>	<u>7,598,705</u>
Total Net Assets	<u>\$75,768,866</u>	<u>\$78,365,537</u>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$75,768,866 .

At year-end, capital assets represented 74% 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, 2011, was \$64,633,511 These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

A portion of the District's net assets, \$5,755,379 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets decreased from 2010 to 2011 mainly due to a decrease in equity in pooled cash and investments as well as capital assets due to depreciation being greater than current year additions. Long-Term Liabilities decreased mainly due to the District making regularly scheduled debt payments.

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

Table 2
Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services	\$1,521,519	\$1,982,768
Operating Grants, Contributions	10,620,051	9,126,152
General Revenues:		
Property Taxes	9,847,701	9,725,427
Grants and Entitlements	21,279,257	21,300,001
Other	<u>414,947</u>	<u>425,895</u>
Total Revenues	<u>43,683,475</u>	<u>42,560,243</u>
Program Expenses:		
Instruction	25,918,383	25,005,106
Support Services:		
Pupil and Instructional Staff	6,268,452	5,830,739
School Administrative, General		
Administration, Fiscal and Business	3,856,814	3,957,109
Operations and Maintenance	4,561,013	4,286,224
Pupil Transportation	1,462,967	1,462,191
Central	418,684	383,860
Operation of Non-Instructional Services	2,508,228	2,461,390
Extracurricular Activities	686,217	657,319
Interest and Fiscal Charges	<u>599,388</u>	<u>919,896</u>
Total Program Expenses	<u>46,280,146</u>	<u>44,963,834</u>
Change in Net Assets	(2,596,671)	(2,403,591)
Net Assets Beginning of Year	<u>78,365,537</u>	<u>80,769,128</u>
Net Assets End of Year	<u>\$75,768,866</u>	<u>\$78,365,537</u>

Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

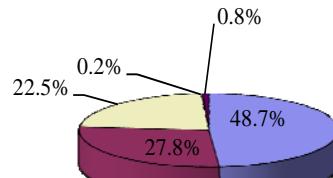
Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general, special revenue, and debt service purposes, and grants and entitlements comprised 71% of the District's revenues for governmental activities.

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

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 23% of revenue for governmental activities for the District in fiscal year 2011.

Revenue Sources	2011	Percent of Total
General Grants	\$21,279,257	48.71%
Program Revenues	12,141,570	27.79%
General Tax Revenues	9,847,701	22.54%
Investment Earnings	74,361	0.17%
Other Revenues	340,586	0.79%
	<u>\$43,683,475</u>	<u>100.00%</u>



Instruction comprises 56.0% of governmental program expenses. Support services expenses were 35.8% of governmental program expenses. All other expenses including interest expense were 8.2%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District had an increase in operating grants revenue mainly due to an increase in grant money receipts from state and federal sources. Instructional, pupil and instructional staff expenses increased mainly due to an increase in personnel costs and general inflationary factors.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for 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.

Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$25,918,383	\$25,005,106	(\$17,612,700)	(\$18,537,774)
Support Services:				
Pupil and Instructional Staff	6,268,452	5,830,739	(5,676,676)	(4,994,657)
School Administrative, General				
Administration, Fiscal and Business	3,856,814	3,957,109	(3,642,324)	(3,703,546)
Operations and Maintenance	4,561,013	4,286,224	(4,360,625)	(3,405,820)
Pupil Transportation	1,462,967	1,462,191	(1,339,053)	(1,345,615)
Central	418,684	383,860	(412,325)	(381,325)
Operation of Non-Instructional Services	2,508,228	2,461,390	(35,244)	(79,789)
Extracurricular Activities	686,217	657,319	(460,241)	(486,492)
Interest and Fiscal Charges	599,388	919,896	(599,388)	(919,896)
Total Expenses	<u>\$46,280,146</u>	<u>\$44,963,834</u>	<u>(\$34,138,576)</u>	<u>(\$33,854,914)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$20,067,021 (72%) of the total \$27,834,560 governmental funds assets.

General Fund: Fund balance at June 30, 2011 was \$7,609,264, a decrease in fund balance of \$3,326,075 from 2010. The primary reason for the decrease in the fund balance was due to an increase in instructional, pupil and instructional staff expenses mainly due to an increase in personnel costs and general inflationary factors.

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 2011, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was \$32,862,108, compared to final budget estimates of \$33,105,138. The difference between the original budget basis and final budget was \$243,030, which was mostly due to underestimates for taxes and intergovernmental revenue estimates.

The District's ending unobligated cash balance was \$9,808,678.

Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the District had \$77,457,875 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2011 balances compared to fiscal 2010:

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

	Governmental Activities	
	2011	2010
Land	\$1,068,500	\$916,000
Buildings and Improvements	75,188,497	76,955,937
Equipment	1,200,878	1,098,464
Total Net Capital Assets	<u><u>\$77,457,875</u></u>	<u><u>\$78,970,401</u></u>

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

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

Debt

At June 30, 2011, the District had \$13,983,714 in bonds and capital leases outstanding, \$1,104,758 due within one year. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2011	2010
Bonds and Leases Payables:		
Ohio School Facility Project Bond	\$3,790,000	\$4,540,000
Refunding Bonds:		
Current Interest Bonds		
Classroom Facilities	8,120,000	8,255,000
Capital Appreciation Bonds	20,000	20,000
Interest Accretion on Capital Appreciation Bonds	1,159,350	1,112,397
Accrued Premium on Refunding Bonds	20,245	21,745
Deferred Amount on Refunding Bonds	(592,397)	(636,278)
Capital Lease	1,466,516	1,630,274
Total Bonds and Leases	<u><u>\$13,983,714</u></u>	<u><u>\$14,943,138</u></u>

See Notes 7 and 10 to the basic financial statements for further details on the District's long-term obligations.

Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

For the Future

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

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

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

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

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

Contacting the District's Financial Management

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

Mad River Local School District, Ohio

Statement of Net Assets

June 30, 2011

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$15,884,190
Restricted Cash and Investments	15,250
Receivables:	
Taxes	9,675,950
Accounts	21,390
Interest	8,888
Intergovernmental	1,921,763
Deferred Bond Issuance Costs	111,302
Inventory	16,138
Nondepreciable Capital Assets	1,068,500
Depreciable Capital Assets, Net	<u>76,389,375</u>
Total Assets	<u>105,112,746</u>
Liabilities:	
Accounts Payable	380,165
Accrued Wages and Benefits	4,575,494
Retainage Payable	15,250
Accrued Interest Payable	42,336
Unearned Revenue	8,134,411
Claims Payable	53,137
Long-Term Liabilities:	
Due Within One Year	1,565,662
Due In More Than One Year	<u>14,577,425</u>
Total Liabilities	<u>29,343,880</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	64,633,511
Restricted for:	
Local Grants	10,615
Debt Service	1,152,509
Capital Projects	2,099,828
Food Service	141,759
Classroom Facilities Maintenance	443,332
District Managed Student Activities	382,110
Auxiliary Services	9,849
State Grants	42,486
Federal Grants	1,472,891
Unrestricted	<u>5,379,976</u>
Total Net Assets	<u>\$75,768,866</u>

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Statement of Activities
 For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities:					
Instruction:					
Regular	\$17,038,723	\$556,821	\$2,148,305	(\$14,333,597)	
Special	5,024,070	0	4,042,424	(981,646)	
Vocational	2,269,947	0	1,535,745	(734,202)	
Adult	33,389	0	0	(33,389)	
Other	1,552,254	0	22,388	(1,529,866)	
Support Services:					
Pupil	2,954,713	0	26,714	(2,927,999)	
Instructional Staff	3,313,739	0	565,062	(2,748,677)	
General Administration	90,423	0	0	(90,423)	
School Administration	3,190,203	0	213,454	(2,976,749)	
Fiscal	575,996	0	1,036	(574,960)	
Business	192	0	0	(192)	
Operations and Maintenance	4,561,013	10,891	189,497	(4,360,625)	
Pupil Transportation	1,462,967	21,312	102,602	(1,339,053)	
Central	418,684	0	6,359	(412,325)	
Operation of Non-Instructional Services	2,508,228	721,050	1,751,934	(35,244)	
Extracurricular Activities	686,217	211,445	14,531	(460,241)	
Interest and Fiscal Charges	599,388	0	0	(599,388)	
Total Governmental Activities	<u>\$46,280,146</u>	<u>\$1,521,519</u>	<u>\$10,620,051</u>	<u>(34,138,576)</u>	

General Revenues:	
Property Taxes Levied for:	
General Purposes	8,511,039
Special Revenue Purposes	97,350
Debt Service Purposes	1,239,312
Grants and Entitlements not Restricted	21,279,257
Unrestricted Contributions	8,643
Investment Earnings	74,361
Other Revenues	331,943
Total General Revenues	<u>31,541,905</u>
Change in Net Assets	(2,596,671)
Net Assets Beginning of Year	<u>78,365,537</u>
Net Assets End of Year	<u>\$75,768,866</u>

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$11,405,447	\$4,478,743	\$15,884,190
Restricted Cash and Investments	0	15,250	15,250
Receivables:			
Taxes	8,354,737	1,321,213	9,675,950
Accounts	21,324	66	21,390
Interest	8,888	0	8,888
Intergovernmental	0	1,921,763	1,921,763
Interfund	276,625	14,366	290,991
Inventory	0	16,138	16,138
Total Assets	20,067,021	7,767,539	27,834,560
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	304,288	75,877	380,165
Accrued Wages and Benefits	4,129,960	445,534	4,575,494
Compensated Absences	265,982	0	265,982
Retainage Payable	0	15,250	15,250
Interfund Payable	0	290,991	290,991
Deferred Revenue	7,704,390	2,826,226	10,530,616
Claims Payable	53,137	0	53,137
Total Liabilities	12,457,757	3,653,878	16,111,635
Fund Balances:			
Nonspendable	0	16,138	16,138
Restricted	0	4,253,411	4,253,411
Assigned	460,256	0	460,256
Unassigned	7,149,008	(155,888)	6,993,120
Total Fund Balances	7,609,264	4,113,661	11,722,925
Total Liabilities and Fund Balances	\$20,067,021	\$7,767,539	\$27,834,560

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
June 30, 2011

Total Governmental Fund Balance	\$11,722,925
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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.	77,457,875
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	\$779,304
Intergovernmental	<u>1,616,901</u>
	2,396,205

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.

	(42,336)
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Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.

Compensated Absences	(1,893,391)
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Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.

	111,302
--	---------

Long-term debt obligations, are not due and payable in the current period and therefore are not reported in the funds.

	<u>(13,983,714)</u>
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Net Assets of Governmental Activities	<u><u>\$75,768,866</u></u>
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See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Statement of Revenues, Expenditures
 and Changes in Fund Balance
 Governmental Funds
 For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$8,482,783	\$1,329,470	\$9,812,253
Tuition and Fees	554,854	0	554,854
Investment Earnings	74,216	145	74,361
Intergovernmental	24,313,054	6,035,963	30,349,017
Extracurricular Activities	100,016	134,712	234,728
Charges for Services	100,361	721,050	821,411
Other Revenues	152,594	58,251	210,845
Total Revenues	<u>33,777,878</u>	<u>8,279,591</u>	<u>42,057,469</u>
Expenditures:			
Current:			
Instruction:			
Regular	14,507,855	1,713,270	16,221,125
Special	3,339,771	1,506,123	4,845,894
Vocational	1,764,139	72,095	1,836,234
Adult	33,389	0	33,389
Other	1,526,622	25,632	1,552,254
Support Services:			
Pupil	2,831,793	27,635	2,859,428
Instructional Staff	2,854,051	412,802	3,266,853
General Administration	90,423	0	90,423
School Administration	3,054,054	179,094	3,233,148
Fiscal	550,781	19,187	569,968
Business	192	0	192
Operations and Maintenance	4,088,768	428,548	4,517,316
Pupil Transportation	1,381,912	0	1,381,912
Central	405,310	9,522	414,832
Operation of Non-Instructional Services	0	2,645,175	2,645,175
Extracurricular Activities	476,758	209,459	686,217
Capital Outlay	0	30,545	30,545
Debt Service:			
Principal Retirement	163,758	885,000	1,048,758
Interest and Fiscal Charges	<u>74,645</u>	<u>544,014</u>	<u>618,659</u>
Total Expenditures	<u>37,144,221</u>	<u>8,708,101</u>	<u>45,852,322</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,366,343)</u>	<u>(428,510)</u>	<u>(3,794,853)</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	40,268	0	40,268
Total Other Financing Sources (Uses)	<u>40,268</u>	<u>0</u>	<u>40,268</u>
Net Change in Fund Balance	(3,326,075)	(428,510)	(3,754,585)
Fund Balance Beginning of Year, Restated	<u>10,935,339</u>	<u>4,542,171</u>	<u>15,477,510</u>
Fund Balance End of Year	<u>\$7,609,264</u>	<u>\$4,113,661</u>	<u>\$11,722,925</u>

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balance - Total Governmental Funds (\$3,754,585)

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	\$460,075
Depreciation Expense	<u>(1,972,601)</u>
	(1,512,526)

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

Delinquent Property Taxes	\$35,448
Intergovernmental	<u>1,550,290</u>
	1,585,738

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

1,048,758

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

Accrued Interest	116,849
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	\$16,673
Amortization of Bond Issuance Cost	(8,244)
Deferred Charges	(43,881)
Amortization of Bond Premium	1,500
Bond Accretion	<u>(46,953)</u>
	(80,905)

Change in Net Assets of Governmental Activities (\$2,596,671)

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose	
	Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$3,074	\$53,356
Total Assets	3,074	<u><u>\$53,356</u></u>
Liabilities:		
Accounts Payable	0	4,095
Other Liabilities	0	49,261
Total Liabilities	0	<u><u>\$53,356</u></u>
Net Assets:		
Held in Trust	3,074	
Total Net Assets	<u><u>\$3,074</u></u>	

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
Additions:	
Other	<u>\$2,120</u>
Total Additions	<u>2,120</u>
Deductions:	
Other	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Assets	1,120
Net Assets Beginning of Year	<u>1,954</u>
Net Assets End of Year	<u><u>\$3,074</u></u>

See accompanying notes to the basic financial statements.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 1 – Description of the District

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

Reporting Entity

In accordance with Governmental Accounting Standards Board [GASB] Statement 14/39, 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 two organizations that are defined as jointly governed organizations. These organizations are the Metropolitan Dayton Educational Computer Association and the Southwestern Ohio Educational Purchasing Council. These organizations are presented in Note 18.

Note 2 – Summary of Significant Accounting Policies

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a 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.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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 accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Equity in Pooled Cash and Investments

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2011. 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, 2011.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2011 amounted to \$74,216 in the general fund and \$145 in other governmental funds.

Inventory

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

Capital Assets

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5 - 50 years
Equipment and Vehicles	5 - 20 years

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Compensated Absences

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

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

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

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	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
 <u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	328 days	328 days	328 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/4 paid upon retirement	1/4 paid upon retirement	1/4 paid upon retirement

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$5,755,379 restricted net assets reported at fiscal year end, none were restricted by enabling legislation.

Interfund Activity

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

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

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

Restricted Assets

Restricted assets in the other governmental funds represent cash and investments for retainage held for vendors.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

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.

Note 3 – Equity In Pooled Cash And Investments

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

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

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

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

- (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 not 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.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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, 2011, \$6,404,776 of the District's bank balance of \$7,375,388 was exposed to custodial risk because it was uninsured and collateralized 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 at 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.

Investments

As of June 30, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$121,353	0.00
STAROhio	24,386	0.16
Federal Home Loan Bank	2,572,625	1.46
Federal Home Loan Mortgage Corporation	4,436,546	1.67
Federal National Mortgage Association	810,245	1.34
Federal Home Loan Mortgage Corporation - Discount Note	<u>873,541</u>	<u>0.92</u>
	<u>\$8,838,696</u>	
Portfolio Weighted Average Maturity		1.48

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Concentration of Credit Risk – The District's investment policy allows investments in U.S. Agencies or Instrumentalities as well as other investments permitted by Ohio Law. The District has invested 1% of the District's investments in Money Market Funds, less than 1% in STAR Ohio, 29% in Federal Home Loan Bank, 50% in Federal Home Loan Mortgage Corporation, 9% in Federal National Mortgage Association, and 10% in Federal Home Loan Mortgage Corporation - Discount Note.

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

Note 4 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and interexchange telephone companies. Tangible personal property taxes have been phased out. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2012 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2011 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, 2011. 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, 2011, was \$650,347 for General Fund and \$111,888 for Other Governmental Funds.

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 2011 taxes were collected are:

	2011 First Half Amount	2010 Second Half Amount
Agricultural/Residential and Other Real Estate	\$254,489,330	\$253,806,990
Public Utility Personal	<u>9,627,250</u>	<u>9,087,460</u>
Total	<u><u>\$264,116,580</u></u>	<u><u>\$262,894,450</u></u>

Note 5 – Receivables

Receivables at June 30, 2011, consisted of taxes, accounts, interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$916,000	\$152,500	\$0	\$1,068,500
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	87,068,367	5,590	0	87,073,957
Equipment and Vehicles	4,385,100	301,985	88,221	4,598,864
Totals at Historical Cost	<u>92,369,467</u>	<u>460,075</u>	<u>88,221</u>	<u>92,741,321</u>
Less Accumulated Depreciation:				
Buildings and Improvements	10,112,430	1,773,030	0	11,885,460
Equipment and Vehicles	3,286,636	199,571	88,221	3,397,986
Total Accumulated Depreciation	<u>13,399,066</u>	<u>1,972,601</u>	<u>88,221</u>	<u>15,283,446</u>
Governmental Activities Capital Assets, Net	<u><u>\$78,970,401</u></u>	<u><u>(\$1,512,526)</u></u>	<u><u>\$0</u></u>	<u><u>\$77,457,875</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$992,886
Special	230,844
Vocational	379,864
Support Services:	
Pupil	88,135
Instructional Staff	70,921
Operations and Maintenance	95,963
Pupil Transportation	69,869
Operation of Non-Instructional Services	44,119
Total Depreciation Expense	<u><u>\$1,972,601</u></u>

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 7 - Long-Term Liabilities

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
Bonds:						
2002 School Facilities Project	5.15%	\$4,540,000	\$0	\$750,000	\$3,790,000	\$800,000
2006 Refunding Classroom Facilities - Current Interest	3.75-4.25%	8,255,000	0	135,000	8,120,000	135,000
2006 Refunding Classroom Facilities - Capital Appreciation Bonds	4.08-4.13%	20,000	0	0	20,000	0
Interest Accretion on Capital Appreciation Bonds		1,112,397	46,953	0	1,159,350	0
Premium on 2006 Refunding Bonds		21,745	0	1,500	20,245	0
Deferred Amount on 2006 Refunding Bonds	4.86%	(636,278)	0	(43,881)	(592,397)	0
Total Bonds		13,312,864	46,953	842,619	12,517,198	935,000
Capital Lease		1,630,274	0	163,758	1,466,516	169,758
Total Long Term Debt		14,943,138	46,953	1,006,377	13,983,714	1,104,758
Compensated Absences		2,078,202	431,362	350,191	2,159,373	460,904
Total Governmental Activities		<u>\$17,021,340</u>	<u>\$478,315</u>	<u>\$1,356,568</u>	<u>\$16,143,087</u>	<u>\$1,565,662</u>

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

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$935,000	\$506,014	\$1,441,014	\$0	\$0	\$0
2013	1,060,000	463,585	1,523,585	0	0	0
2014	1,110,000	409,875	1,519,875	0	0	0
2015	1,175,000	346,287	1,521,287	0	0	0
2016	0	313,513	313,513	10,000	710,000	720,000
2017-2021	3,305,000	1,314,065	4,619,065	10,000	715,000	725,000
2022-2025	4,325,000	380,083	4,705,083	0	0	0
Total	<u>\$11,910,000</u>	<u>\$3,733,422</u>	<u>\$15,643,422</u>	<u>\$20,000</u>	<u>\$1,425,000</u>	<u>\$1,445,000</u>

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 8 – Retirement Incentives

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

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

Further qualifications for the Retirement Incentive are as follows:

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

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

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

Note 9 – Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. At June 30, 2011 \$8,895,000 of general obligation bonds are outstanding and considered defeased. The original maturities of these bonds were fiscal year 2016 through 2024 with a call date of December 1, 2012 for all outstanding bonds.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 10 – Capital Leases – Lessee Disclosure

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

The original amounts of \$78,790 and \$2,335,000 were capitalized as equipment and as building and improvement addition in 2010 and 2006, respectively. The District made \$163,758 in principal payments for fiscal year 2011. The principal amount owed on the leases at year end is \$1,466,516.

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, 2011. The capital lease will be paid out of the general fund.

Fiscal Year Ending June 30	Principal
2012	\$234,444
2013	234,474
2014	214,021
2015	213,429
2016	212,527
2017-2019	<u>635,582</u>
Total Minimum Lease Payments	\$1,744,477
Amount Representing Interest and Additional program cost component	<u>(277,961)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,466,516</u></u>

Note 11 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$942,744, \$870,396, and \$805,152, respectively; contributions equaled the required contributions for each year.

State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

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

**Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011**

DB Plan Benefits

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

DC Plan Benefits

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

Combined Plan Benefits

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$2,877,672, \$2,679,624, and \$2,471,057, respectively; 82% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Note 12- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2011, 2010 and 2009 were \$51,178, \$47,250 and \$37,957, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$96,295, \$140,367, and \$321,423, respectively.

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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

State Teachers Retirement System of Ohio

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$205,548, \$191,402, and \$176,504, respectively; 84% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Note 13 – Contingent Liabilities

Grants

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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, 2011.

Litigation

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

Note 14 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year, 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. The District ended the self insurance program during fiscal year 2011. Changes in claims activity for the current and prior fiscal year are as follows:

	Beginning Balance	Current Year Claims	Claims Payments	Balance End of Year
2011	\$73,995	\$108,979	\$129,837	\$53,137
2010	59,599	375,796	361,400	73,995

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

Note 15 – Set-Aside Calculation

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

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.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2010	(\$1,908,128)	\$0
Current Year Set Aside Requirements	556,445	556,445
Qualified Disbursements	(439,050)	(494,354)
Prior Year Offset from Bond Proceeds	0	(62,091)
Set Aside Reserve Balance as of June 30, 2011	<u>(\$1,790,733)</u>	<u>\$0</u>
Restricted Cash as of June 30, 2011	<u>\$0</u>	<u>\$0</u>
Carried Forward as of June 30, 2011	<u>(\$1,790,733)</u>	<u>(\$14,423,465)</u>

Offset credits for capital activity during the year exceeded the amount required for the set-aside, resulting in offset credits available for carryover to offset capital reserve requirements of future years. \$14,423,465 from the FY2002 building project is available to offset future capital reserve requirements. Qualifying disbursements and carryover from prior years for textbooks also exceeded the required setaside amount, resulting in carryover of \$1,790,733 to offset textbook requirements in future years.

Note 16 – Interfund Transactions

Interfund transactions at June 30, 2011, consisted of the following interfund receivables and interfund payables:

	Interfund	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$276,625	\$0
Other Governmental Funds	<u>14,366</u>	<u>290,991</u>
Total All Funds	<u>\$290,991</u>	<u>\$290,991</u>

Interfund balances 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.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 17 – Accountability

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

Fund	<u>Amounts</u>
Special Revenue Funds:	
Special Education	\$45,159
Miscellaneous State Grants	3,295
Race to the Top	457
Vocational Education	1,444
Title I	92,205
IDEA Preschool	4,809
Improving Teacher Quality	8,519

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

Note 18 – Jointly Governed 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.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (EPC) is a council of governments with over 40 years of shared services experience, pooling the purchasing power of over 130 Ohio School Districts. Member districts benefit from the EPC's ability to aggregate volumes on goods and services such as health insurance; liability, fleet and property insurance; utilities; group rating; as well as food; classroom and office supplies; furniture; medical supplies and much more.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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

Insurance Purchasing Pool

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

Public Entity Shared Risk Pool

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

Note 20 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Inventory	\$0	\$16,138	<u>\$16,138</u>
Total Nonspendable	<u>0</u>	<u>16,138</u>	<u>16,138</u>
Restricted for:			
Other Grants	0	10,615	10,615
Student Activity	0	382,110	382,110
Auxiliary Services	0	9,849	9,849
Career Development	0	3,229	3,229
Data Communications	0	40,178	40,178
Title VI	0	1,115	1,115
Title II D	0	89	89
Miscellaneous Federal Grants	0	2,281	2,281
Fiscal Stabilization	0	8,962	8,962
Food Service	0	272,570	272,570
Classroom Facilities Maintenance	0	435,740	435,740
Debt Service	0	986,845	986,845
OSFC Local Initiative	0	649,989	649,989
Capital Outlay	<u>0</u>	<u>1,449,839</u>	<u>1,449,839</u>
Total Restricted	<u>0</u>	<u>4,253,411</u>	<u>4,253,411</u>
Assigned to:			
Encumbrances	460,256	0	460,256
Total Assigned	<u>460,256</u>	<u>0</u>	<u>460,256</u>
Unassigned (Deficit)	<u>7,149,008</u>	<u>(155,888)</u>	<u>6,993,120</u>
Total Fund Balance	<u>\$7,609,264</u>	<u>\$4,113,661</u>	<u>\$11,722,925</u>

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 21 – Change in Accounting Principles and Restatement of Fund Balance

Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

Restatement of Fund Balance

The implementation of GASB 54 had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported.

	General Fund	Other Governmental Funds
Fund Balance, June 30, 2010	<u>\$9,828,408</u>	<u>\$5,649,102</u>
Fund Reclassification	<u>1,106,931</u>	<u>(1,106,931)</u>
Fund Balance, June 30, 2010 - Restated	<u><u>\$10,935,339</u></u>	<u><u>\$4,542,171</u></u>

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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, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$8,217,132	\$8,277,901	\$8,290,001	\$12,100
Tuition and Fees	298,948	301,159	301,599	440
Investment Earnings	73,618	74,163	74,271	108
Intergovernmental	24,099,342	24,277,567	24,313,054	35,487
Extracurricular Activities	25,237	25,424	25,461	37
Other Revenues	147,831	148,924	149,142	218
Total Revenues	<u>32,862,108</u>	<u>33,105,138</u>	<u>33,153,528</u>	<u>48,390</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,876,520	14,367,786	14,087,430	280,356
Special	3,418,207	3,301,314	3,236,896	64,418
Vocational	1,874,383	1,810,285	1,774,961	35,324
Adult/Continuing	35,259	34,053	33,389	664
Student Intervention Services	1,456,962	1,407,138	1,379,681	27,457
Other	2,645	2,555	2,505	50
Support Services:				
Pupil	3,032,347	2,928,649	2,871,503	57,146
Instructional Staff	3,097,981	2,992,039	2,933,656	58,383
General Administration	98,650	95,276	93,417	1,859
School Administration	3,126,988	3,020,054	2,961,124	58,930
Fiscal	583,770	563,806	552,805	11,001
Business	203	196	192	4
Operations and Maintenance	4,376,029	4,226,382	4,143,913	82,469
Pupil Transportation	1,618,087	1,562,753	1,532,259	30,494
Central	445,942	430,692	422,288	8,404
Operation of Non-Instructional Services	10,392	10,037	9,841	196
Extracurricular Activities	497,238	480,234	470,863	9,371
Debt Service:				
Principal Retirement	172,931	167,017	163,758	3,259
Interest and Fiscal Charges	78,826	76,131	74,645	1,486
Total Expenditures	<u>38,803,360</u>	<u>37,476,397</u>	<u>36,745,126</u>	<u>731,271</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,941,252)</u>	<u>(4,371,259)</u>	<u>(3,591,598)</u>	<u>779,661</u>
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	39,914	40,209	40,268	59
Transfers In	792,968	798,832	800,000	1,168
Transfers (Out)	(844,811)	(815,921)	(800,000)	15,921
Total Other Financing Sources (Uses)	<u>(11,929)</u>	<u>23,120</u>	<u>40,268</u>	<u>17,148</u>
Net Change in Fund Balance	(5,953,181)	(4,348,139)	(3,551,330)	796,809
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>13,360,008</u>	<u>13,360,008</u>	<u>13,360,008</u>	<u>0</u>
Fund Balance End of Year	<u>\$7,406,827</u>	<u>\$9,011,869</u>	<u>\$9,808,678</u>	<u>\$796,809</u>

See accompanying notes to the required supplementary information.

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Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2011

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2011.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for (budget basis) rather than as an assigned fund balance for general fund (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2011

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$3,326,075)
Revenue Accruals	(624,350)
Expenditure Accruals	1,035,774
Transfers In	800,000
Transfers Out	(800,000)
Encumbrances	(636,679)
Budget Basis	<u><u>(\$3,551,330)</u></u>

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> <i>Program Title</i>	Federal CFDA Number	Non-Cash Receipts	Non-Cash Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	\$133,567		\$133,567
Cash Assistance:				
School Breakfast Program	10.553	\$193,242	\$193,242	
National School Lunch Program	10.555	847,080	847,080	
Summer Food Service Program for Children	10.559	55,013	55,013	
Total Child Nutrition Cluster	<u>1,095,335</u>	<u>133,567</u>	<u>1,095,335</u>	<u>133,567</u>
Total U.S. Department of Agriculture	<u>1,095,335</u>	<u>133,567</u>	<u>1,095,335</u>	<u>133,567</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title 1, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	792,154	938,903	
ARRA - Title I Grants to Local Educational Agencies	84.389	176,914	244,349	
Total Title 1, Part A Cluster	<u>969,068</u>		<u>1,183,252</u>	
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	713,126	774,195	
Special Education Preschool Grants	84.173	1,680	16,797	
ARRA - Special Education Grants to States	84.391	313,490	298,732	
ARRA - Special Education Preschool Grants	84.392	4,486	11,485	
Total Special Education Cluster (IDEA)	<u>1,032,782</u>		<u>1,101,209</u>	
Safe and Drug-Free Schools and Communities State Grants	84.186		4,789	
Career and Technical Education - Basic Grants to States	84.048	57,649	67,071	
Educational Technology State Grants	84.318	7,324	8,666	
Improving Teacher Quality State Grants	84.367	139,473	137,588	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	1,732,857	1,730,049	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants	84.395		386	
Direct Aid				
Impact Aid	84.041	<u>1,174,931</u>	<u>1,174,931</u>	
Total U.S. Department of Education	<u>5,114,084</u>		<u>5,407,941</u>	
Total	<u>\$6,209,419</u>	<u>\$133,567</u>	<u>\$6,503,276</u>	<u>\$133,567</u>

The accompanying notes are an integral part of this schedule.

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Mad River Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Mad River Local School District
Montgomery County
801 Old Harshman Road
Riverside, Ohio 45431

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mad River Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 5, 2012 wherein we noted that the District adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Mad River Local School District
Montgomery County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 5, 2012.

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



Dave Yost
Auditor of State

March 5, 2012



Dave Yost • Auditor of State

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

Mad River Local School District
Montgomery County
801 Old Harshman Road
Riverside, Ohio 45431

To the Board of Education:

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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Mad River Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Mad River Local School District
Montgomery County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133
Page 2

**Internal Control Over Compliance
(Continued)**

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 5, 2012.

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



Dave Yost
Auditor of State

March 5, 2012

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010 ARRA – Title I Grants to Local Educational Agencies, CFDA #84.389 Special Education Cluster (IDEA): Special Education Grants to States, CFDA #84.027 Special Education Preschool Grants, CFDA #84.173 ARRA – Special Education Grants to States, CFDA #84.391 ARRA – Special Education Preschool Grants, CFDA #84.392 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Mad River Local School District
Montgomery County
Schedule of Findings and Questioned Cost
Page 2

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-1	Lack of Treasurer review of payroll reports	Yes	
2010-2	ARRA 1512 Reporting	Yes	

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Mad River Local School District
Montgomery County
801 Old Harshman Road
Riverside, Ohio 45431

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 5, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 5, 2012

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Dave Yost • Auditor of State

MAD RIVER LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
APRIL 26, 2012