

Dave Yost • Auditor of State

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2016**

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**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mad River Local School District, Montgomery County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, required budgetary comparison schedule* and *schedules of net pension liabilities and pension contributions* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

February 22, 2017

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**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(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, 2016. 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 2016 are as follows:

- Net position of governmental activities increased \$1,405,205 which represents a 6.45% increase from 2015.
- General revenues accounted for \$34,981,321 in revenue or 70% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$15,332,211 or 30% of total revenues of \$50,313,532.
- The District had \$48,908,327 in expenses related to governmental activities; \$15,332,211 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$34,981,321 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 Position* and *Statement 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 and Debt Service Fund are the major funds of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Government-wide Financial Statements answer this question. These statements include *all assets, deferred outflows, liabilities, and deferred inflows* 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 position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

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 funds 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 Position 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.

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**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

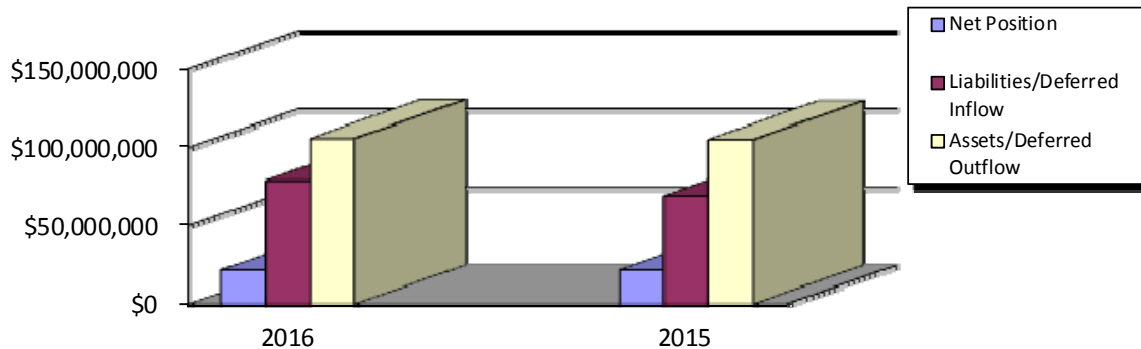
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2016 compared to 2015:

Table 1
Net Position

	Governmental Activities	
	2016	2015
Assets:		
Current and Other Assets	\$34,375,399	\$32,974,757
Capital Assets	71,527,666	72,227,375
Total Assets	105,903,065	105,202,132
Deferred Outflows of Resources:		
Deferred Charge on Refunding	559,384	416,873
Pension	9,066,553	4,050,201
Total Deferred Outflows of Resources	9,625,937	4,467,074
Liabilities:		
Other Liabilities	5,254,148	5,000,913
Long-Term Liabilities	73,674,723	64,420,404
Total Liabilities	78,928,871	69,421,317
Deferred Inflows of Resources:		
Property Taxes	9,401,917	9,214,449
Pension	3,999,472	9,239,903
Total Deferred Inflows of Resources	13,401,389	18,454,352
Net Position:		
Net Investment in Capital Assets	63,167,466	63,393,314
Restricted	2,239,714	2,887,236
Unrestricted	(42,208,438)	(44,487,013)
Total Net Position	\$23,198,742	\$21,793,537

**Mad River Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**



Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2016, the District’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,198,742.

At year-end, capital assets represented 68% of total assets. Capital assets include land, buildings and improvements, and equipment and vehicles. Net investment in capital assets at June 30, 2016, was \$63,167,466. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District’s net position, \$2,239,714 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 increased mainly due to an increase in cash. Long-term liabilities increased due to an increase in net pension liability.

During 2015, the District adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute.

A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

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**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Table 2 shows the changes in net position for fiscal years 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues		
Charges for Services	\$5,510,733	\$4,976,757
Operating Grants, Contributions	9,821,478	8,888,482
General Revenues:		
Property Taxes	10,284,686	10,773,917
Grants and Entitlements	23,618,740	23,523,198
Investment Earnings	188,578	84,613
Other	889,317	258,238
Total Revenues	<u>50,313,532</u>	<u>48,505,205</u>
Program Expenses:		
Instruction	29,662,477	27,615,071
Support Services:		
Pupil and Instructional Staff	5,347,153	4,579,051
School Administration, General		
Administration, and Fiscal	3,543,146	3,327,276
Operations and Maintenance	4,133,795	4,018,070
Pupil Transportation	1,544,132	1,439,515
Central	471,417	491,380
Operation of Non-Instructional Services	2,905,559	2,776,964
Extracurricular Activities	801,849	728,314
Interest and Fiscal Charges	407,347	509,726
Bond Issuance Cost	91,452	0
Total Program Expenses	<u>48,908,327</u>	<u>45,485,367</u>
Change in Net Position	1,405,205	3,019,838
Net Position - Beginning of Year	<u>21,793,537</u>	<u>18,773,699</u>
Net Position - End of Year	<u>\$23,198,742</u>	<u>\$21,793,537</u>

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 67% of the District's revenues for governmental activities.

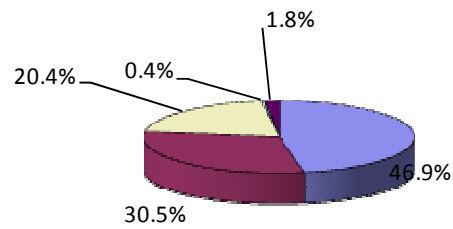
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later

**Mad River Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

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 20% of revenue for governmental activities for the District in fiscal year 2016.

Revenue Sources	2016	Percent of Total
General Grants	\$23,618,740	46.94%
Program Revenues	15,332,211	30.47%
General Tax Revenues	10,284,686	20.44%
Investment Earnings	188,578	0.38%
Other Revenues	889,317	1.77%
	<u>\$50,313,532</u>	<u>100.00%</u>



Instruction comprises 60.7% of governmental program expenses. Support services expenses were 30.7% of governmental program expenses. All other expenses including interest expense were 8.6%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District had an increase in grants revenue mainly due to an increase in grant money receipts from state and federal sources. Instructional expenses increased mainly due to increase in cost of educating students.

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.

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**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$29,662,477	\$27,615,071	(\$17,894,648)	(\$17,248,492)
Support Services:				
Pupil and Instructional Staff	5,347,153	4,579,051	(5,253,375)	(4,545,058)
School Administration, General Administration, and Fiscal Operations and Maintenance	3,543,146	3,327,276	(3,542,283)	(3,326,192)
Pupil Transportation	4,133,795	4,018,070	(3,969,255)	(3,855,046)
Central	1,544,132	1,439,515	(1,381,699)	(1,184,515)
Operation of Non-Instructional Services	471,417	491,380	(470,652)	(488,747)
Extracurricular Activities	2,905,559	2,776,964	(21,041)	85,109
Interest and Fiscal Charges	801,849	728,314	(544,364)	(547,461)
Bond Issuance Cost	407,347	509,726	(407,347)	(509,726)
	91,452	0	(91,452)	0
Total Expenses	<u>\$48,908,327</u>	<u>\$45,485,367</u>	<u>(\$33,576,116)</u>	<u>(\$31,620,128)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the general fund comprised \$30,247,626 (87%) and assets of the debt service fund comprised \$1,556,750 (4%) of the total \$34,628,450 governmental funds assets.

General Fund: Fund balance at June 30, 2016 was \$16,558,977, an increase in fund balance of \$1,485,531 from 2015. The primary reason for the increase in the fund balance was due to an increase in cash from fiscal year 2015 to 2016.

Debt Service Fund: Fund balance at June 30, 2016 was \$476,197, an increase in fund balance of \$120,570 from 2015.

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 year 2016, 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 \$40,833,646, compared to final budget estimates of \$42,697,463. The difference between the final budget basis and actual revenue was \$92,075, which was mostly due to underestimates for taxes and intergovernmental revenue estimates.

**Mad River Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

The District’s ending unobligated cash balance was \$18,554,571.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$71,527,666 invested in land, buildings and improvements, equipment and vehicles. Table 4 shows fiscal year 2016 balances compared to fiscal year 2015:

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

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$1,068,500	\$1,068,500
Buildings and Improvements	67,386,829	69,177,610
Equipment and Vehicles	<u>3,072,337</u>	<u>1,981,265</u>
Total Net Capital Assets	<u>\$71,527,666</u>	<u>\$72,227,375</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, 2016, the District had \$9,619,910 in bonds and capital leases outstanding, \$1,063,886 due within one year. Table 5 summarizes debt outstanding.

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**Mad River Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2016	2015
Bonds and Leases Payables:		
Refunding Bonds:		
Current Interest Bonds		
Classroom Facilities	7,630,000	7,630,000
Capital Appreciation Bonds	10,000	20,000
Interest Accretion on Capital Appreciation Bonds	700,326	1,367,477
Accrued Premium on Refunding Bonds	0	14,245
Capital Lease	595,000	777,000
Bus Garage Lease	684,584	809,689
Total Bonds and Leases	<u>\$9,619,910</u>	<u>\$10,618,411</u>

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

For the Future

The economic climate at this time is that the economy has shown signs of improvement but growth has been very slow. The housing sector is still in a serious slump or decline due to the sub-prime mortgage fallout but is showing some signs of recovery. Foreclosures and vacant properties are still very common. The condition of the housing sector means that property tax revenue will continue to be hurt by delinquent collections and reduced valuations. New construction within the District is almost non-existent but one new housing subdivision is under construction. The District’s assessed property valuation has declined in the County Auditor’s 2014 tri-annual appraisal from \$248,381,860 to \$227,068,780 for 2015-2016. Declining property valuation for the District makes it very hard to raise significant revenues from new tax levies and existing real estate tax revenues are expected to grow very slowly.

The District’s native enrollment had been declining but enrollment has now recovered and climbed to 3,940 since the District opened enrollment to outside students beginning in FY12. There were 620 open enrollment students in FY16 and over 650 have enrolled for FY17. The District is funded on a per-student basis and is not on the “guarantee” for Foundation funding. Open enrollment brought in over \$3,600,000 in funding in addition to the regular State foundation funding of \$26,025,755 in FY16. The FY17 State foundation funding is currently \$26,645,529 which represents only a 2.4% (\$619,774) increase for FY17.

Real Estate Tax revenues for the District have been relatively flat in recent years. The most recent new operating levy was passed in 2012. The County Auditors tri-annual reappraisal in 2014 lowered appraised property values by 9%. Total real estate taxes for the general fund are projected to be about the same in FY17 according to the County Auditor’s office.

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

The District has run a surplus for the last four fiscal years and now has a General fund cash balance of \$18,856,898 at June 30, 2016 which is up from \$16,977,367 at the beginning of FY16. Although the District has increased its reserves significantly in the last four years, the growth rate in operating expenses are surpassing the growth in revenue. Therefore, deficit spending is projected for each year of the October 2016 Five Year Forecast, with reserves expected to be around \$10,000,000 at the end of FY21.

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 maintain a secure financial future. No new tax levies are planned in the latest Five Year Forecast.

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. By phone at 937-259-6610 or by e-mail at jerry.ellender@madriverschools.org.

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Mad River Local School District, Ohio
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$23,014,808
Receivables (Net):	
Taxes	10,785,341
Accounts	4,908
Interest	22,619
Intergovernmental	529,128
Inventory	18,595
Nondepreciable Capital Assets	1,068,500
Depreciable Capital Assets, Net	<u>70,459,166</u>
 Total Assets	 <u>105,903,065</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	559,384
	<u>9,066,553</u>
 Total Deferred Outflows of Resources	 <u>9,625,937</u>
 Liabilities:	
Accounts Payable	196,603
Accrued Wages and Benefits	5,039,759
Accrued Interest Payable	17,786
Long-Term Liabilities:	
Due Within One Year	1,410,072
Due In More Than One Year:	
Net Pension Liability	61,334,919
Other Amounts	<u>10,929,732</u>
 Total Liabilities	 <u>78,928,871</u>
 Deferred Inflows of Resources:	
Property Taxes	9,401,917
Pension	<u>3,999,472</u>
 Total Deferred Inflows of Resources	 <u>13,401,389</u>
 Net Position:	
Net Investment in Capital Assets	63,167,466
Restricted for:	
Debt Service	544,248
Capital Projects	687,690
Food Service	219,838
Classroom Facilities Maintenance	390,982
District Managed Student Activities	288,996
State Grants	33,461
Federal Grants	16,289
Other Purposes	58,210
Unrestricted	<u>(42,208,438)</u>
 Total Net Position	 <u>\$23,198,742</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, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$18,580,510	\$4,170,172	\$1,917,875	(\$12,492,463)
Special	7,195,421	163,693	4,238,498	(2,793,230)
Vocational	2,049,292	0	1,277,311	(771,981)
Other	1,837,254	104	176	(1,836,974)
Support Services:				
Pupil	3,282,964	0	0	(3,282,964)
Instructional Staff	2,064,189	0	93,778	(1,970,411)
General Administration	104,367	0	0	(104,367)
School Administration	2,697,351	0	0	(2,697,351)
Fiscal	741,428	0	863	(740,565)
Operations and Maintenance	4,133,795	16,362	148,178	(3,969,255)
Pupil Transportation	1,544,132	86,127	76,306	(1,381,699)
Central	471,417	0	765	(470,652)
Operation of Non-Instructional Services	2,905,559	816,790	2,067,728	(21,041)
Extracurricular Activities	801,849	257,485	0	(544,364)
Interest and Fiscal Charges	407,347	0	0	(407,347)
Bond Issuance Cost	91,452	0	0	(91,452)
Totals	\$48,908,327	\$5,510,733	\$9,821,478	(33,576,116)

General Revenues:

Property Taxes Levied for:

General Purposes	9,110,660
Special Revenue Purposes	94,574
Debt Service Purposes	1,079,452
Grants and Entitlements, Not Restricted	23,618,740
Unrestricted Contributions	54,405
Investment Earnings	188,578
Other Revenues	834,912

Total General Revenues 34,981,321

Change in Net Position 1,405,205

Net Position - Beginning of Year 21,793,537

Net Position - End of Year \$23,198,742

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2016

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$20,438,351	\$414,764	\$2,161,693	\$23,014,808
Receivables (Net):				
Taxes	9,543,063	1,141,986	100,292	10,785,341
Accounts	4,908	0	0	4,908
Interest	22,619	0	0	22,619
Intergovernmental	0	0	529,128	529,128
Interfund	238,685	0	14,366	253,051
Inventory	0	0	18,595	18,595
Total Assets	30,247,626	1,556,750	2,824,074	34,628,450
Liabilities:				
Accounts Payable	100,939	0	95,664	196,603
Accrued Wages and Benefits	4,463,610	0	576,149	5,039,759
Compensated Absences	109,130	0	16,200	125,330
Interfund Payable	0	0	253,051	253,051
Total Liabilities	4,673,679	0	941,064	5,614,743
Deferred Inflows of Resources:				
Property Taxes	8,318,915	995,572	87,430	9,401,917
Grants and Other Taxes	0	0	210,562	210,562
Unavailable Revenue	696,055	84,981	7,455	788,491
Total Deferred Inflows of Resources	9,014,970	1,080,553	305,447	10,400,970
Fund Balances:				
Restricted	0	476,197	1,768,946	2,245,143
Committed	664,801	0	0	664,801
Assigned	643,675	0	0	643,675
Unassigned	15,250,501	0	(191,383)	15,059,118
Total Fund Balances	16,558,977	476,197	1,577,563	18,612,737
Total Liabilities, Deferred Inflows and Fund Balances	\$30,247,626	\$1,556,750	\$2,824,074	\$34,628,450

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2016

Total Governmental Fund Balance		\$18,612,737
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		71,527,666
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	788,491	
Intergovernmental	<u>210,562</u>	
		999,053
In the statement of net position 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.		
		(17,786)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(2,594,564)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		559,384
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	9,066,553	
Deferred inflows of resources related to pensions	<u>(3,999,472)</u>	
		5,067,081
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(61,334,919)	
Other Amounts	<u>(9,619,910)</u>	
		<u>(70,954,829)</u>
Net Position of Governmental Activities		<u>\$23,198,742</u>

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$9,142,434	\$1,084,648	\$94,972	\$10,322,054
Tuition and Fees	4,262,923	0	0	4,262,923
Investment Earnings	188,578	0	0	188,578
Intergovernmental	29,005,144	177,828	4,172,579	33,355,551
Extracurricular Activities	163,696	0	250,860	414,556
Charges for Services	0	0	816,894	816,894
Other Revenues	447,476	0	203,821	651,297
Total Revenues	43,210,251	1,262,476	5,539,126	50,011,853
Expenditures:				
Current:				
Instruction:				
Regular	17,408,382	0	316,401	17,724,783
Special	5,341,912	0	1,632,421	6,974,333
Vocational	1,776,759	0	56,142	1,832,901
Other	1,828,363	0	273	1,828,636
Support Services:				
Pupil	3,252,850	0	0	3,252,850
Instructional Staff	1,836,625	0	104,555	1,941,180
General Administration	104,561	0	0	104,561
School Administration	2,791,803	0	0	2,791,803
Fiscal	633,999	108,393	1,485	743,877
Operations and Maintenance	3,730,207	0	356,665	4,086,872
Pupil Transportation	1,626,863	0	0	1,626,863
Central	479,740	0	3,053	482,793
Operation of Non-Instructional Services	9,205	0	2,876,969	2,886,174
Extracurricular Activities	592,999	0	943,639	1,536,638
Debt Service:				
Principal Retirement	307,105	7,640,000	0	7,947,105
Interest and Fiscal Charges	59,466	1,180,269	0	1,239,735
Bond Issuance Cost	0	91,452	0	91,452
Total Expenditures	41,780,839	9,020,114	6,291,603	57,092,556
Excess of Revenues Over (Under) Expenditures	1,429,412	(7,757,638)	(752,477)	(7,080,703)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	56,119	0	0	56,119
Refunding Bonds Issued	0	7,630,000	0	7,630,000
Refunding Bonds Other Sources	0	248,208	0	248,208
Total Other Financing Sources (Uses)	56,119	7,878,208	0	7,934,327
Net Change in Fund Balance	1,485,531	120,570	(752,477)	853,624
Fund Balance - Beginning of Year	15,073,446	355,627	2,330,040	17,759,113
Fund Balance - End of Year	\$16,558,977	\$476,197	\$1,577,563	\$18,612,737

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, 2016

Net Change in Fund Balance - Total Governmental Funds		\$853,624
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	1,643,196	
Depreciation Expense	<u>(2,292,958)</u>	(649,762)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.		
		(49,947)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions	3,722,649	
Cost of benefits earned net of employee contributions	<u>(3,705,387)</u>	17,262
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(37,368)	
Intergovernmental	<u>84,667</u>	47,299
In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.		
Refunding Bonds	(7,630,000)	
Change in Deferred Charge on Refunding	<u>142,511</u>	(7,487,489)
Repayment of bond principal, current bonds refundings, and accreted interest are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		8,657,105
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		
		8,481
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	37,236	
Amortization of Bond Premium	14,245	
Bond Accretion	<u>(42,849)</u>	8,632
Change in Net Position of Governmental Activities		<u>\$1,405,205</u>

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$4,926	\$74,463
	<u> </u>	<u> </u>
Total Assets	4,926	<u>74,463</u>
	<u> </u>	<u> </u>
Liabilities:		
Accounts Payable	0	1,050
Other Liabilities	0	73,413
	<u> </u>	<u> </u>
Total Liabilities	0	<u>\$74,463</u>
	<u> </u>	<u> </u>
Net Position:		
Held in Trust	4,926	
	<u> </u>	
Total Net Position	<u>\$4,926</u>	

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
Additions:	
Donations	\$2,344
Total Additions	2,344
Deductions:	
Other	2,500
Total Deductions	2,500
Change in Net Position	(156)
Net Position - Beginning of Year	5,082
Net Position - End of Year	\$4,926

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, 2016

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 14/39/61, 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 three organizations that are defined as jointly governed organizations. These organizations are the Montgomery County Educational Service Center, META Solutions, 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.

Measurement Focus

Government-wide Financial Statements

The District’s basic financial statements consist of government-wide statements, including a statement of net position 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, deferred outflows, liabilities, and deferred inflows associated with the operation of the District are included on the statement of net position. 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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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.

Governmental Funds

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

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

Debt Service Fund – The debt service fund is used for the accumulation of resources for and the payment of general obligation bond principal and interest and certain other long term obligations from governmental resources when the District is obligated in some manner for the payment.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 custodial 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 inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include pension and deferred charge on refunding.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include pension, property taxes, grants and other taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenses/Expenditures

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

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

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is 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 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2016.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2016 amounted to \$188,578 in the general fund and \$0 in the 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.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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 two thousand 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 and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 75 years
Equipment and Vehicles	3 - 20 years

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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.

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Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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 Vested	Not Applicable Not Applicable	Not Applicable As Earned	Not Applicable 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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets 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 position 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 position are available. Of the District's \$2,239,714 restricted net position 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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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 position.

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

Fund 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.

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 – amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education.

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 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. The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted assets are available.

Estimates

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Note 3 – Equity In Pooled Cash And Investments

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than five years 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.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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 that are not FDIC insured.

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the 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, 2016, \$9,375,133 of the District's bank balance of \$9,625,133 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 that are not FDIC insured.

Investments

As of June 30, 2016, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$62,480	0.00
STAROhio	24,506	0.00
Federal Home Loan Bank	2,085,070	3.48
Federal Home Loan Mortgage Corporation	1,718,095	2.11
Federal National Mortgage Association	3,259,264	2.11
Federal Farm Credit Bank	1,002,310	3.67
Commercial Paper	1,408,092	0.19
U.S. Treasury Note	3,723	0.00
Negotiable Certificates of Deposit	4,485,737	1.50
	<u>\$14,049,277</u>	
Portfolio Weighted Average Maturity		2.57

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2016. All investments of the District are valued using quoted market prices.

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

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

Concentration of Credit Risk – The District's investment policy allows investments in U.S. Agencies or Instrumentalities as well as other investments permitted by Ohio Law. The District has invested less than 1% of the District's investments in Money Market Funds, less than 1% in STAR Ohio, 15% in Federal Home Loan Bank, 12% in Federal Home Loan Mortgage Corporation, 23% in Federal National Mortgage Association, 7% in Federal Farm Credit Bank, 10% in Commercial Paper, less than 1% in U.S. Treasury Notes, and 32% Negotiable Certificates of Deposit.

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 while the District's fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015 on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value

**Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016**

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, 2016, are available to finance fiscal year 2017 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, 2016 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, 2016. 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 inflow of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2016, was \$528,093 for General Fund, \$61,433 for Debt Service Fund, and \$5,407 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 2016 taxes were collected are:

	2016 First Half Amount	2015 Second Half Amount
	<hr/>	<hr/>
Agricultural/Residential and Other Real Estate	\$215,570,970	\$217,798,480
Public Utility Personal	11,497,810	11,342,660
	<hr/>	<hr/>
Total	<u>\$227,068,780</u>	<u>\$229,141,140</u>

Note 5 – Receivables

Receivables at June 30, 2016, 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.

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Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,068,500	\$0	\$0	\$1,068,500
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	88,171,521	0	0	88,171,521
Equipment and Vehicles	<u>5,929,946</u>	<u>1,643,196</u>	<u>977,306</u>	<u>6,595,836</u>
Totals at Historical Cost	<u>95,169,967</u>	<u>1,643,196</u>	<u>977,306</u>	<u>95,835,857</u>
Less Accumulated Depreciation:				
Buildings and Improvements	18,993,911	1,790,781	0	20,784,692
Equipment and Vehicles	<u>3,948,681</u>	<u>502,177</u>	<u>927,359</u>	<u>3,523,499</u>
Total Accumulated Depreciation	<u>22,942,592</u>	<u>2,292,958</u>	<u>927,359</u>	<u>24,308,191</u>
Governmental Activities Capital Assets, Net	<u>\$72,227,375</u>	<u>(\$649,762)</u>	<u>\$49,947</u>	<u>\$71,527,666</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,080,456
Special	233,441
Vocational	438,362
Other Instruction	4,930
Support Services:	
Pupil	75,855
School Administration	71,631
Operations and Maintenance	168,775
Pupil Transportation	122,264
Operation of Non-Instructional Services	64,944
Extracurricular Activities	<u>32,300</u>
Total Depreciation Expense	<u>\$2,292,958</u>

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Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Note 7 - Long-Term Liabilities

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
Bonds:						
2006 Refunding Classroom Facilities - Current Interest	3.75-4.25%	\$7,630,000	\$0	\$7,630,000	\$0	\$0
2006 Refunding Classroom Facilities - Capital Appreciation Bonds	4.08-4.13%	20,000	0	10,000	10,000	10,000
Interest Accretion on Capital Appreciation Bonds		1,367,477	42,849	710,000	700,326	715,000
Premium on 2006 Refunding Bonds		14,245	0	14,245	0	0
2016 Refunding Classroom Facilities -Current Interest	1.85%	0	7,630,000	0	7,630,000	20,000
Total Bonds		9,031,722	7,672,849	8,364,245	8,340,326	745,000
Net Pension Liability:						
STRS		41,715,193	11,724,132	2,718,317	50,721,008	0
SERS		9,380,205	1,969,941	736,235	10,613,911	0
Total Net Pension Liability		51,095,398	13,694,073	3,454,552	61,334,919	0
OASBO Capital Lease	4.47%	777,000	0	182,000	595,000	190,000
Bus Garage Lease	3.00%	809,689	0	125,105	684,584	128,886
Total Long Term Debt		61,713,809	21,366,922	12,125,902	70,954,829	1,063,886
Compensated Absences		2,706,595	300,518	287,219	2,719,894	346,186
Total Governmental Activities		<u>\$64,420,404</u>	<u>\$21,667,440</u>	<u>\$12,413,121</u>	<u>\$73,674,723</u>	<u>\$1,410,072</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.

On March 3, 2016 the District issued \$7,630,000 in Current Interest Bonds with an interest rate of 1.85% which was used to current refund \$7,630,000 of the outstanding 2006 General Obligation Bonds with an interest rate between 3.75% and 4.25%. The net proceeds of \$7,878,208 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issues. As a result, \$7,630,000 of the 2006 General Obligation Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

The District current refunded 2006 General Obligation Bonds to reduce its total debt service payments by \$922,322 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$743,016.

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

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Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$20,000	\$175,475	\$195,475	\$10,000	\$715,000	\$725,000
2018	790,000	133,478	923,478	0	0	0
2019	865,000	118,169	983,169	0	0	0
2020	885,000	101,982	986,982	0	0	0
2021	915,000	85,332	1,000,332	0	0	0
2022-2025	4,155,000	157,390	4,312,390	0	0	0
Total	<u>\$7,630,000</u>	<u>\$771,826</u>	<u>\$8,401,826</u>	<u>\$10,000</u>	<u>\$715,000</u>	<u>\$725,000</u>

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.

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.

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 the 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 within 90 days of the retiree providing verification of retirement.

The liability for fiscal year 2016 retirement incentives (bonus) is \$0.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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. As of June 30, 2016 all of the defeased debt was paid off. The original maturities of these bonds were fiscal year 2016 through 2024 with a call date of December 1, 2012 for all outstanding bonds.

Note 10 – Capital Leases – Lessee Disclosure

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

The original amount of \$2,335,000 was capitalized as building and improvement addition in 2006. The District made \$182,000 in principal payments for fiscal year 2016. The principal amount owed on the lease at year end is \$595,000.

In fiscal year 2014, the District entered into a capital lease for a transportation garage. The original amount of \$932,271 was capitalized as a building and improvement addition in 2015. The District made \$125,105 in principal payments for fiscal year 2016. The principal amount owed on the lease at year end is \$684,584.

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, 2016. The capital lease will be paid out of the general fund.

Fiscal Year Ending June 30	
2017	\$360,756
2018	360,169
2019	360,049
2020	148,465
2021	148,466
Total Minimum Lease Payments	<u>\$1,377,905</u>
Amount Representing Interest and Additional program cost component	<u>(98,321)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,279,584</u></u>

Note 11 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service, 2.5 percent for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$820,344 for fiscal year 2016. Of this amount \$179,684 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among 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. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,902,305 for fiscal year 2016. Of this amount \$502,300 is reported as accrued wages and benefits.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$10,613,911	\$50,721,008	\$61,334,919
Proportion of the Net Pension Liability	0.18601000%	0.18352524%	
Pension Expense	723,286	2,982,099	3,705,385

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$170,903	\$2,312,238	\$2,483,141
Changes in proportionate share and difference between District Contributions and proportionate share of contributions	158,119	2,702,644	2,860,763
District contributions subsequent to the measurement date	<u>820,344</u>	<u>2,902,305</u>	<u>3,722,649</u>
Total Deferred Outflows of Resources	<u>\$1,149,366</u>	<u>\$7,917,187</u>	<u>\$9,066,553</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$351,673</u>	<u>\$3,647,799</u>	<u>\$3,999,472</u>

\$3,722,649 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	(\$77,194)	(\$147,527)	(\$224,721)
2018	(77,194)	(147,527)	(224,721)
2019	(78,004)	(147,527)	(225,531)
2020	<u>209,741</u>	<u>1,809,664</u>	<u>2,019,405</u>
Total	<u>(\$22,651)</u>	<u>\$1,367,083</u>	<u>\$1,344,432</u>

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$14,717,680	\$10,613,911	\$7,158,199

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$70,455,306	\$50,721,008	\$34,032,716

Note 12 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For the year ended June 30, 2016, the health care allocation is 0.00%. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$98,156.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$147,497, and \$87,647, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$173,000, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

Note 13 – Contingent Liabilities

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.

Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material, adverse effect on the overall financial condition of the District at June 30, 2016.

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

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 \$5,000 deductible.

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 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 capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2015	\$0
Current Year Set Aside Requirements	657,661
Qualified Disbursements	<u>(1,168,190)</u>
Set Aside Reserve Balance as of June 30, 2016	<u>(510,529)</u>
Restricted Cash as of June 30, 2016	<u>\$0</u>
Carried Forward as of June 30, 2016	(\$14,933,994)

Offset credits for capital activity during the year exceeded the amount required for the set-aside. \$14,933,994 from the FY2002 building project is available to offset future capital reserve requirements.

Note 16 – Interfund Transactions

Interfund transactions at June 30, 2016, consisted of the following interfund receivables and interfund payables:

	Interfund	
	Receivable	Payable
General Fund	\$238,685	\$0
Other Governmental Funds	<u>14,366</u>	<u>253,051</u>
Total All Funds	<u>\$253,051</u>	<u>\$253,051</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, 2016**

Note 17 – Accountability

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

Fund	Amounts
Special Revenue Funds:	
Early Childhood Education Expansion	\$12,008
Special Education	83,167
Vocational Education	1,444
Title I	80,185
Improving Teacher Quality	9,580
Other Grants	4,999

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

Note 18 – Jointly Governed Organizations

META Solutions

On July 1, 2015 the District was a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA). On January 1, 2016 MDECA merged with the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs. The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The District paid META \$102,191 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

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. The District made payments of \$300 to EPC in fiscal year 2016 for membership dues.

Montgomery County Educational Service Center

The Montgomery County Educational Service Center (MCESC) supports a system for strong collaborative linkages of the major stakeholders: districts, educational providers, students, parents, and the public at

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

large. Through these combined efforts, the Center works actively to support the schools' continuous improvement processes by offering a broad range of quality services and programs. These cooperative efforts are designed to strengthen the capacity of the districts to achieve quality and cost-effective programs. The District made payments of \$884,878 to MCESC in fiscal year 2016. Financial information can be obtained from Chris Fox, who serves as the Treasurer, at 200 South Keowee Street, Dayton, Ohio 45402.

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:

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Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Restricted for:				
Student Activity	\$0	\$0	\$288,996	\$288,996
Auxiliary Services	0	0	84,843	84,843
Career Development	0	0	3,229	3,229
Title VI	0	0	1,115	1,115
Food Service	0	0	319,546	319,546
Classroom Facilities Maintenance	0	0	383,527	383,527
Debt Service	0	476,197	0	476,197
Capital Outlay	0	0	687,690	687,690
Total Restricted	0	476,197	1,768,946	2,245,143
Committed to:				
Termination Benefits	664,801	0	0	664,801
Total Committed	664,801	0	0	664,801
Assigned to:				
Encumbrances	285,405	0	0	285,405
Budgetary Resource	144,522	0	0	144,522
Public Schools	213,748	0	0	213,748
Total Assigned	643,675	0	0	643,675
Unassigned (Deficit)	15,250,501	0	(191,383)	15,059,118
Total Fund Balance	\$16,558,977	\$476,197	\$1,577,563	\$18,612,737

Note 21 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2016

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

REQUIRED SUPPLEMENTARY INFORMATION

Mad River Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.18352524%	0.17150188%	0.17150188%
District's Proportionate Share of the Net Pension Liability	\$50,721,008	\$41,715,193	\$49,557,045
District's Covered-Employee Payroll	\$18,994,543	\$18,870,662	\$18,157,846
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	267.03%	221.06%	272.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available

Mad River Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1)

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.186010%	0.185345%	0.185345%
District's Proportionate Share of the Net Pension Liability	\$10,613,911	\$9,380,205	\$11,025,176
District's Covered-Employee Payroll	\$6,900,835	\$5,440,159	\$6,326,532
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	153.81%	172.43%	174.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) - Information prior to 2013 is not available

Mad River Local School District
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$2,902,305	\$2,659,236	\$2,453,186	\$2,360,520	\$2,786,532	\$2,877,672	\$2,679,624	\$2,471,052	\$2,435,076	\$2,492,100
Contributions in Relation to the Contractually Required Contribution	(2,902,305)	(2,659,236)	(2,453,186)	(2,360,520)	(2,786,532)	(2,877,672)	(2,679,624)	(2,471,052)	(2,435,076)	(2,492,100)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$20,730,750	\$18,994,543	\$18,870,662	\$18,157,846	\$21,434,862	\$22,135,938	\$20,612,492	\$19,008,092	\$18,731,354	\$19,170,000
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Mad River Local School District
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$820,344	\$909,530	\$754,006	\$875,592	\$982,008	\$942,744	\$870,396	\$805,152	\$743,004	\$752,712
Contributions in Relation to the Contractually Required Contribution	(820,344)	(909,530)	(754,006)	(875,592)	(982,008)	(942,744)	(870,396)	(805,152)	(743,004)	(752,712)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$5,859,600	\$6,900,835	\$5,440,159	\$6,326,532	\$7,301,175	\$7,499,952	\$6,428,331	\$8,182,439	\$7,566,232	\$7,047,865
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$8,916,650	\$9,323,643	\$9,343,749	\$20,106
Tuition and Fees	3,749,100	3,920,224	3,928,678	8,454
Investment Earnings	91,981	96,180	96,387	207
Intergovernmental	27,703,586	28,968,093	29,030,561	62,468
Other Revenues	372,329	389,323	390,163	840
Total Revenues	40,833,646	42,697,463	42,789,538	92,075
Expenditures:				
Current:				
Instruction:				
Regular	16,576,882	17,181,185	16,886,752	294,433
Special	5,135,025	5,322,221	5,231,014	91,207
Vocational	1,944,190	2,015,065	1,980,533	34,532
Student Intervention Services	1,618,151	1,677,140	1,648,399	28,741
Support Services:				
Pupil	3,168,397	3,283,900	3,227,624	56,276
Instructional Staff	1,789,891	1,855,140	1,823,349	31,791
General Administration	102,745	106,491	104,666	1,825
School Administration	2,727,381	2,826,807	2,778,364	48,443
Fiscal	626,163	648,990	637,868	11,122
Operations and Maintenance	3,650,182	3,783,248	3,718,415	64,833
Pupil Transportation	1,639,522	1,699,290	1,670,169	29,121
Central	491,249	509,157	500,432	8,725
Extracurricular Activities	581,883	603,095	592,760	10,335
Capital Outlay	214,104	221,909	218,106	3,803
Total Expenditures	40,265,765	41,733,638	41,018,451	715,187
Excess of Revenues Over (Under) Expenditures	567,881	963,825	1,771,087	807,262
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	53,554	55,998	56,119	121
Transfers (Out)	(245,413)	(254,359)	(250,000)	4,359
Total Other Financing Sources (Uses)	(191,859)	(198,361)	(193,881)	4,480
Net Change in Fund Balance	376,022	765,464	1,577,206	811,742
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	16,977,365	16,977,365	16,977,365	0
Fund Balance - End of Year	\$17,353,387	\$17,742,829	\$18,554,571	\$811,742

See accompanying notes to the required supplementary information.

Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2016

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 the 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 2016.

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 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) is 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.
5. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2016

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	\$1,485,531
Revenue Accruals	(420,713)
Expenditure Accruals	1,145,416
Transfers Out	(250,000)
Encumbrances	(302,318)
Funds Budgeted Elsewhere	<u>(80,710)</u>
Budget Basis	<u><u>\$1,577,206</u></u>

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**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	\$278,159		\$278,159	
National School Lunch Program	10.555	N/A	1,183,440	\$82,499	1,183,440	\$82,499
Summer Food Service Program for Children	10.559	N/A	50,166		50,166	
Total Child Nutrition Cluster			<u>1,511,765</u>	<u>82,499</u>	<u>1,511,765</u>	<u>82,499</u>
Total U.S. Department of Agriculture			<u>1,511,765</u>	<u>82,499</u>	<u>1,511,765</u>	<u>82,499</u>
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	S010A150035	869,697		854,336	
Special Education Cluster:						
Special Education_Grants to States	84.027	H027A150111	795,669		794,611	
Special Education_Preschool Grants	84.173	84.173	19,685		19,685	
Total Special Education Cluster			<u>815,354</u>		<u>814,296</u>	
Career and Technical Education - Basic Grants to States	84.048	N/A	69,685		56,142	
English Language Acquisition State Grants	84.365	N/A	29,972		34,996	
Improving Teacher Quality State Grants	84.367	S367A150034	105,869		101,974	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	25,684		23,714	
<i>Direct Aid</i>						
Impact Aid	84.041		577,083		577,083	
Total U.S. Department of Education			<u>2,493,344</u>		<u>2,462,541</u>	
Total Federal Financial Assistance			<u>4,005,109</u>	<u>\$82,499</u>	<u>3,974,306</u>	<u>\$82,499</u>

The accompanying notes are an integral part of this schedule.

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Mad River Local School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

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

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2015 to 2016 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Special Education_Grants to States	84.027	\$ 607.68
Improving Teacher Quality State Grants	84.367	\$ 28.98
English Language Acquisition State Grants	84.365	\$ 1,708.74



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INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mad River Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

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, opining 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*.

District's Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 22, 2017



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Mad River Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Mad River Local School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Mad River Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 22, 2017

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

FINDING NUMBER 2016-001

Significant Deficiency – Financial Reporting

The District prepared its annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The District's annual financial report contained errors which resulted in reclassifications and adjustments to correctly report the District's financial activity.

**FINDING NUMBER 2016-001
(Continued)**

The following errors resulted in audit adjustments which are reflected within the accompanying financial statements:

- The District did not properly calculate net pension liability and related deferred inflows of resources, deferred outflows of resources, and expense reported under Governmental Activities for the School Employees Retirement System (SERS) and State Teachers Retirement System (STRS). Deferred outflows of resources and deferred inflows of resources were overstated by \$2,511,510 and \$3,340,334, respectively. Pension expense was overstated by \$828,824.

In addition there were other errors identified which are not material and not adjusted to the accompanying financial statements:

- The District understated Intergovernmental Revenue and Intergovernmental Receivable by \$26,089 in Other Governmental Funds and understated Operating Grants and Contributions and Intergovernmental Receivable by \$26,089 in Governmental Activities due to not accruing a receivable for a fiscal year 2016 grant receipt received in the revenue recognition period.
- The District overstated Charges for Services and understated Intergovernmental Revenue by \$180,310 in Other Governmental Funds and overstated Charges for Services and Sales and understated Operating Grants and Contributions in Governmental Activities by the same amount due to improper coding of a receipt from a Federal grant.

Policies and procedures should be established and implemented to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

Officials' Response:

Will work with Plattenburg & Associates and the State Auditor's office to make sure that the calculations are correct. It would be great if the entities could share information on computing the calculations to make sure they are correct.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Will work with Plattenburg & Associates and the State Auditor's office to make sure that the calculations are correct. It would be great if the entities could share information on computing the calculations to make sure they are correct.	6/30/17	Treasurer, Jerry Ellender

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MAD RIVER LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2017**