

Dave Yost • Auditor of State

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Mad River Local School District Montgomery County, Ohio, as of June 30, 2012 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

March 8, 2013

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(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 **Error! Not a valid link.**. 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 2012 are as follows:

- Net assets of governmental activities decreased \$2,598,156 which represents a 3.4% decrease from 2011.
- General revenues accounted for \$31,502,234 in revenue or 76% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,034,030 or 24% of total revenues of \$41,536,264 .
- The District had \$44,134,420 in expenses related to governmental activities; \$10,034,030 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$31,502,234 were also used to provide for these programs.

Overview of the Financial Statements

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

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

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

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

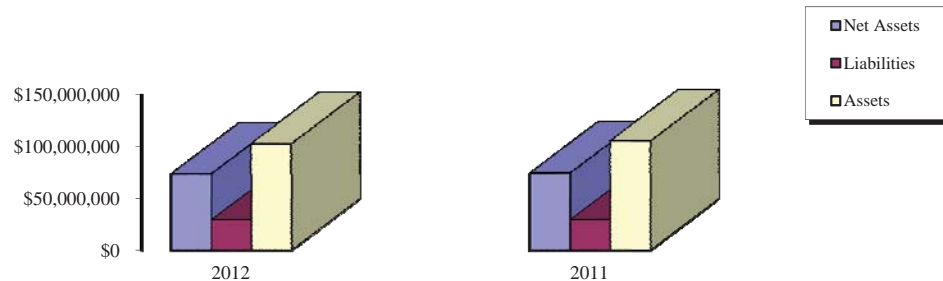
**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2012 compared to 2011:

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Assets:		
Current and Other Assets	\$26,733,410	\$27,654,871
Capital Assets	75,700,324	77,457,875
Total Assets	102,433,734	105,112,746
Liabilities:		
Other Liabilities	14,393,555	13,200,793
Long-Term Liabilities	14,869,469	16,143,087
Total Liabilities	29,263,024	29,343,880
Net Assets:		
Invested in Capital Assets, Net of Related Debt	63,938,337	64,633,511
Restricted	4,292,039	5,755,379
Unrestricted	4,940,334	5,379,976
Total Net Assets	\$73,170,710	\$75,768,866



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$73,170,710.

At year-end, capital assets represented 74% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2012, was \$63,938,337. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

A portion of the District's net assets, \$4,292,039 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets decreased from 2011 to 2012 mainly due to a decrease in equity in pooled cash and investments as well as capital assets due to depreciation being greater than current year additions. Long-Term Liabilities decreased mainly due to the District making regularly scheduled debt payments.

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

Table 2
Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues:		
Program Revenues		
Charges for Services	\$2,671,624	\$1,521,519
Operating Grants, Contributions	7,362,406	10,620,051
General Revenues:		
Property Taxes	9,696,495	9,847,701
Grants and Entitlements	21,570,437	21,279,257
Other	235,302	414,947
Total Revenues	<u>41,536,264</u>	<u>43,683,475</u>
Program Expenses:		
Instruction	24,710,809	25,918,383
Support Services:		
Pupil and Instructional Staff	5,671,293	6,268,452
School Administrative, General		
Administration, Fiscal and Business	3,827,742	3,856,814
Operations and Maintenance	4,163,259	4,561,013
Pupil Transportation	1,640,185	1,462,967
Central	234,135	418,684
Operation of Non-Instructional Services	2,528,435	2,508,228
Extracurricular Activities	687,635	686,217
Interest and Fiscal Charges	670,927	599,388
Total Program Expenses	<u>44,134,420</u>	<u>46,280,146</u>
Change in Net Assets	(2,598,156)	(2,596,671)
Net Assets Beginning of Year	<u>75,768,866</u>	<u>78,365,537</u>
Net Assets End of Year	<u>\$73,170,710</u>	<u>\$75,768,866</u>

**Mad River Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

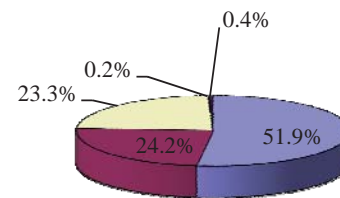
Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general, special revenue, and debt service purposes, and grants and entitlements comprised 75% of the District’s revenues for governmental activities.

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

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 23% of revenue for governmental activities for the District in fiscal year 2012.

<u>Revenue Sources</u>	<u>2012</u>	<u>Percent of Total</u>
General Grants	\$21,570,437	51.93%
Program Revenues	10,034,030	24.16%
General Tax Revenues	9,696,495	23.34%
Investment Earnings	64,824	0.16%
Other Revenues	170,478	0.41%
	<u>\$41,536,264</u>	<u>100.00%</u>



Instruction comprises 56.0% of governmental program expenses. Support services expenses were 35.2% of governmental program expenses. All other expenses including interest expense were 8.8% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

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

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

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$24,710,809	\$25,918,383	(\$18,406,768)	(\$17,612,700)
Support Services:				
Pupil and Instructional Staff	5,671,293	6,268,452	(5,275,443)	(5,676,676)
School Administrative, General				
Administration, Fiscal and Business	3,827,742	3,856,814	(3,723,631)	(3,642,324)
Operations and Maintenance	4,163,259	4,561,013	(3,997,759)	(4,360,625)
Pupil Transportation	1,640,185	1,462,967	(1,485,842)	(1,339,053)
Central	234,135	418,684	(215,725)	(412,325)
Operation of Non-Instructional Services	2,528,435	2,508,228	145,523	(35,244)
Extracurricular Activities	687,635	686,217	(469,818)	(460,241)
Interest and Fiscal Charges	670,927	599,388	(670,927)	(599,388)
Total Expenses	<u>\$44,134,420</u>	<u>\$46,280,146</u>	<u>(\$34,100,390)</u>	<u>(\$34,138,576)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$20,555,018 (77%) of the total \$26,855,281 governmental funds assets.

General Fund: Fund balance at June 30, 2012 was \$7,435,153, a decrease in fund balance of \$174,111 from 2011. The primary reason for the decrease in the fund balance was due to expenditures exceeding revenues in fiscal year 2012.

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 2012, 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 \$33,512,237, compared to final budget estimates of \$34,504,836. The difference between the original budget basis and final budget was \$992,599, which was mostly due to underestimates for taxes and intergovernmental revenue estimates.

The District's ending unobligated cash balance was \$9,352,325.

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$75,700,324 invested in land, buildings and improvements, equipment and vehicles. Table 4 shows fiscal 2012 balances compared to fiscal 2011:

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$1,068,500	\$1,068,500
Buildings and Improvements	73,415,448	75,188,497
Equipment and Vehicles	<u>1,216,376</u>	<u>1,200,878</u>
 Total Net Capital Assets	 <u><u>\$75,700,324</u></u>	 <u><u>\$77,457,875</u></u>

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

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

Debt

At June 30, 2012, the District had \$12,970,679 in bonds and capital leases outstanding, \$1,236,758 due within one year. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt, at Year End

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Bonds and Leases Payables:		
Ohio School Facility Project Bond	\$2,990,000	\$3,790,000
Refunding Bonds:		
Current Interest Bonds		
Classroom Facilities	7,985,000	8,120,000
Capital Appreciation Bonds	20,000	20,000
Interest Accretion on Capital Appreciation Bonds	1,208,692	1,159,350
Accrued Premium on Refunding Bonds	18,745	20,245
Deferred Amount on Refunding Bonds	(548,516)	(592,397)
Capital Lease	<u>1,296,758</u>	<u>1,466,516</u>
 Total Bonds and Leases	 <u><u>\$12,970,679</u></u>	 <u><u>\$13,983,714</u></u>

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

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

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 Ohio Department of Taxation has advised us that State income tax collections have begun to grow again in Fiscal Year 2012. The housing sector is still in a serious slump or decline due to the sub-prime mortgage fallout. Foreclosures are at an all time high. The condition of the housing sector means that property tax revenue will continue to be hurt by delinquent collections. New construction within the District is almost non-existent.

The District's enrollment has been declining. FY10 enrollment was 3,607 and FY11 has dropped by 127 to 3,480. FY12 enrollment has climbed to 3,579 since the District opened enrollment to outside students beginning this year. The District is funded on a per-student basis and is not on the "guarantee" for Foundation funding. Due to the State's budget woes, the Foundation funding will decline once the Stimulus money runs out in FY12. The District's open enrollment policy change for FY12 has added \$955,864 of new revenue which is included in the State Foundation funding. The District's expenses are increasing with inflation but the State's support is decreasing. This is causing an ever increasing need for the District to have to raise revenues or cut expenditures to balance the budget. Revenue is declining but expenses continue to rise with inflation.

Real Estate Tax revenues for the District have declined in recent years with the current economy and credit crunch in the housing sector, but the District did successfully pass a new 5.9 mill continuing levy to fund operations at the March 2012 election. The new levy is projected to bring in \$1,341,375 annually beginning with calendar year 2013. For FY13, only half of the new levy (\$670,688) will be realized in that fiscal year.

The District has a General Fund balance of \$9,935,093 at the beginning of FY12. The District's expenditures were projected to be more than its revenue for FY12, and were previously projected to be a deficit in each future year. For this reason the District embarked on a major cost cutting plan for FY13 by reducing 77 employees. The combination of this reduction in staff and the passage of the new 5.9 mill levy has projected to restore the District to a balanced budget for the next two fiscal years. For fiscal years 2015 and 2016, the District will need to either further reduce expenditures or receive increased funding to balance its budget.

Fiscal Year 2012 is the last year for Federal Stimulus grant funding. For FY12, this represents \$1,182,695 in revenue which will not be replaced in future fiscal years. Even with the passage of a new levy, revenue will be less in future years than in FY12 due to reduced federal and state funding.

The State of Ohio is currently funding its public schools under a "Bridge" formula while it is crafting a new school funding formula. A new formula was set to take effect at July 1, 2012 for the FY13 school year but has now been delayed a year. Due to the uncertainty of how a new school funding formula will affect the District in future years, it is difficult to know what funding will be provided from the State beginning July 1, 2013.

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

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

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Contacting the District's Financial Management

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

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Mad River Local School District, Ohio
Statement of Net Assets
June 30, 2012

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$14,872,051
Receivables:	
Taxes	11,100,708
Accounts	31,523
Interest	7,056
Intergovernmental	602,636
Deferred Bond Issuance Costs	103,058
Inventory	16,378
Nondepreciable Capital Assets	1,068,500
Depreciable Capital Assets, Net	<u>74,631,824</u>
 Total Assets	 <u>102,433,734</u>
Liabilities:	
Accounts Payable	161,824
Accrued Wages and Benefits	4,582,661
Accrued Interest Payable	39,189
Accrued Liabilities	115,355
Unearned Revenue	9,494,526
Long-Term Liabilities:	
Due Within One Year	1,528,917
Due In More Than One Year	<u>13,340,552</u>
 Total Liabilities	 <u>29,263,024</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	63,938,337
Restricted for:	
Local Grants	20,294
Debt Service	1,093,539
Capital Projects	1,941,578
Food Service	237,553
Classroom Facilities Maintenance	450,469
District Managed Student Activities	342,157
State Grants	63,706
Federal Grants	142,743
Unrestricted	<u>4,940,334</u>
 Total Net Assets	 <u>\$73,170,710</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, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$15,978,050	\$1,416,866	\$898,027	(\$13,663,157)
Special	4,929,219	210,764	3,034,309	(1,684,146)
Vocational	2,211,582	0	744,075	(1,467,507)
Adult	16,496	0	0	(16,496)
Other	1,575,462	0	0	(1,575,462)
Support Services:				
Pupil	2,893,642	0	26,837	(2,866,805)
Instructional Staff	2,777,651	0	369,013	(2,408,638)
General Administration	65,164	0	0	(65,164)
School Administration	3,157,887	0	103,309	(3,054,578)
Fiscal	602,659	0	802	(601,857)
Business	2,032	0	0	(2,032)
Operations and Maintenance	4,163,259	11,535	153,965	(3,997,759)
Pupil Transportation	1,640,185	59,161	95,182	(1,485,842)
Central	234,135	0	18,410	(215,725)
Operation of Non-Instructional Services	2,528,435	755,481	1,918,477	145,523
Extracurricular Activities	687,635	217,817	0	(469,818)
Interest and Fiscal Charges	670,927	0	0	(670,927)
Total Governmental Activities	\$44,134,420	\$2,671,624	\$7,362,406	(34,100,390)

General Revenues:	
Property Taxes Levied for:	
General Purposes	8,387,310
Special Revenue Purposes	96,236
Debt Service Purposes	1,212,949
Grants and Entitlements not Restricted	21,570,437
Unrestricted Contributions	14,445
Investment Earnings	64,824
Other Revenues	156,033
Total General Revenues	31,502,234
Change in Net Assets	(2,598,156)
Net Assets Beginning of Year	75,768,866
Net Assets End of Year	\$73,170,710

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$10,565,884	\$4,306,167	\$14,872,051
Receivables:			
Taxes	9,743,669	1,357,039	11,100,708
Accounts	27,846	3,677	31,523
Interest	7,056	0	7,056
Intergovernmental	0	602,636	602,636
Interfund	210,563	14,366	224,929
Inventory	0	16,378	16,378
Total Assets	20,555,018	6,300,263	26,855,281
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	112,321	49,503	161,824
Accrued Wages and Benefits	3,778,204	804,457	4,582,661
Compensated Absences	102,832	0	102,832
Accrued Liabilities	95,622	19,733	115,355
Interfund Payable	0	224,929	224,929
Deferred Revenue	9,030,886	1,615,530	10,646,416
Total Liabilities	13,119,865	2,714,152	15,834,017
Fund Balances:			
Nonspendable	0	16,378	16,378
Restricted	0	4,060,697	4,060,697
Committed	131,433	0	131,433
Assigned	541,941	0	541,941
Unassigned	6,761,779	(490,964)	6,270,815
Total Fund Balances	7,435,153	3,586,111	11,021,264
Total Liabilities and Fund Balances	\$20,555,018	\$6,300,263	\$26,855,281

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2012

Total Governmental Fund Balance		\$11,021,264
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		75,700,324
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$781,124	
Intergovernmental	<u>370,766</u>	
		1,151,890
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(39,189)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,795,958)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		103,058
Long-term debt obligations, are not due and payable in the current period and therefore are not reported in the funds.		<u>(12,970,679)</u>
Net Assets of Governmental Activities		<u><u>\$73,170,710</u></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, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$8,389,203	\$1,305,472	\$9,694,675
Tuition and Fees	1,649,393	0	1,649,393
Investment Earnings	64,824	0	64,824
Intergovernmental	24,652,424	5,526,554	30,178,978
Extracurricular Activities	110,959	144,174	255,133
Charges for Services	83	755,481	755,564
Other Revenues	149,534	32,478	182,012
Total Revenues	35,016,420	7,764,159	42,780,579
Expenditures:			
Current:			
Instruction:			
Regular	13,558,340	1,553,607	15,111,947
Special	3,115,162	1,521,394	4,636,556
Vocational	1,800,851	53,631	1,854,482
Adult	16,496	0	16,496
Other	1,575,065	397	1,575,462
Support Services:			
Pupil	2,762,771	35,364	2,798,135
Instructional Staff	2,451,546	297,187	2,748,733
General Administration	65,164	0	65,164
School Administration	2,848,384	123,360	2,971,744
Fiscal	599,932	17,119	617,051
Business	30	2,002	2,032
Operations and Maintenance	3,832,511	390,734	4,223,245
Pupil Transportation	1,646,598	25,206	1,671,804
Central	264,788	12,151	276,939
Operation of Non-Instructional Services	(42,907)	2,601,946	2,559,039
Extracurricular Activities	477,389	216,597	693,986
Capital Outlay	3,521	0	3,521
Debt Service:			
Principal Retirement	169,758	935,000	1,104,758
Interest and Fiscal Charges	68,093	506,014	574,107
Total Expenditures	35,213,492	8,291,709	43,505,201
Excess of Revenues Over (Under) Expenditures	(197,072)	(527,550)	(724,622)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	22,961	0	22,961
Total Other Financing Sources (Uses)	22,961	0	22,961
Net Change in Fund Balance	(174,111)	(527,550)	(701,661)
Fund Balance Beginning of Year	7,609,264	4,113,661	11,722,925
Fund Balance End of Year	\$7,435,153	\$3,586,111	\$11,021,264

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, 2012

Net Change in Fund Balance - Total Governmental Funds (\$701,661)

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	\$252,794	
Depreciation Expense	<u>(1,971,959)</u>	
		(1,719,165)

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.

(38,386)

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

Delinquent Property Taxes	\$1,820	
Intergovernmental	<u>(1,246,135)</u>	
		(1,244,315)

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

1,104,758

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

Accrued Interest		3,147
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Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	\$97,433	
Amortization of Bond Issuance Cost	(8,244)	
Deferred Charges	(43,881)	
Amortization of Bond Premium	1,500	
Bond Accretion	<u>(49,342)</u>	
		<u>(2,534)</u>

Change in Net Assets of Governmental Activities	<u><u>(\$2,598,156)</u></u>
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See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$2,779	\$52,140
Total Assets	<u>2,779</u>	<u>52,140</u>
Liabilities:		
Accounts Payable	0	2,485
Other Liabilities	0	49,655
Total Liabilities	<u>0</u>	<u>\$52,140</u>
Net Assets:		
Held in Trust	<u>2,779</u>	
Total Net Assets	<u><u>\$2,779</u></u>	

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
Additions:	
Donations	\$926
Other	779
Total Additions	<u>1,705</u>
Deductions:	
Other	<u>2,000</u>
Total Deductions	<u>2,000</u>
Change in Net Assets	(295)
Net Assets Beginning of Year	<u>3,074</u>
Net Assets End of Year	<u><u>\$2,779</u></u>

See accompanying notes to the basic financial statements.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 1 – Description of the District

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

Reporting Entity

In accordance with Governmental Accounting Standards Board [GASB] Statement 14/39, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities. The District is associated with three organizations that are defined as jointly governed organizations. These organizations are the Montgomery County Educational Service Center, Metropolitan Dayton Educational Computer Association and the Southwestern Ohio Educational Purchasing Council. These organizations are presented in Note 18.

Note 2 – Summary of Significant Accounting Policies

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Measurement Focus

Government-wide Financial Statements

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information. The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

Fund Accounting

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Governmental Funds

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

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

Fiduciary Funds

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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 2012. 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, 2012.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2012 amounted to \$64,824 in the general fund (no interest revenue credited from other funds).

Inventory

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

Capital Assets

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

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Compensated Absences

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

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

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

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	20 days per year	10-20 days for each service year depending on length of service – bonus of maximum 5 days eligible
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Used prior to termination	Used prior to termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	358 days	358 days	358 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/4 paid upon retirement	1/4 paid upon retirement	1/4 paid upon retirement

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$4,292,039 restricted net assets reported at fiscal year end, none were restricted by enabling legislation.

Interfund Activity

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

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

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

Restricted Assets

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

Fund Balance

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

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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

Estimates

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

Note 3 – Equity In Pooled Cash And Investments

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

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

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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.

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 insures.

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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, 2012, none of the District's bank balance of \$1,070,953 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, 2012, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$5,671,771	0.00
STAROhio	24,397	0.14
Federal Home Loan Bank	3,582,651	0.96
Federal Home Loan Mortgage Corporation	250,289	0.42
Federal National Mortgage Association	3,531,455	2.27
Federal Home Loan Mortgage Corporation - Discount Note	759,963	0.10
U.S. Treasury Bill	174,723	0.84
U.S. Treasury Note	449,244	1.17
	<u>\$14,444,493</u>	
Portfolio Weighted Average Maturity		0.85

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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 39% of the District’s investments in Money Market Funds, less than 1% in STAR Ohio, 25% in Federal Home Loan Bank, 2% in Federal Home Loan Mortgage Corporation, 24% in Federal National Mortgage Association, 5% in Federal Home Loan Mortgage Corporation - Discount Note, 1% in U.S. Treasury Bills, and 3% in U.S. Treasury Notes.

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

Note 4 – Property Taxes

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

Tangible personal property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and interexchange telephone companies. Tangible personal property taxes have been phased out. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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, 2012, are available to finance fiscal year 2013 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, 2012 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, 2012. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2012, was \$712,783 for General Fund and \$112,275 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 2012 taxes were collected are:

	2012 First Half Amount	2011 Second Half Amount
	<hr/>	<hr/>
Agricultural/Residential and Other Real Estate	\$239,208,040	\$254,489,330
Public Utility Personal	9,384,680	9,627,250
	<hr/>	<hr/>
Total	<u>\$248,592,720</u>	<u>\$264,116,580</u>

Note 5 – Receivables

Receivables at June 30, 2012, consisted of taxes, accounts, interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
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	87,073,957	0	0	87,073,957
Equipment and Vehicles	4,598,864	252,794	237,860	4,613,798
Totals at Historical Cost	92,741,321	252,794	237,860	92,756,255
Less Accumulated Depreciation:				
Buildings and Improvements	11,885,460	1,773,049	0	13,658,509
Equipment and Vehicles	3,397,986	198,910	199,474	3,397,422
Total Accumulated Depreciation	15,283,446	1,971,959	199,474	17,055,931
Governmental Activities Capital Assets, Net	<u>\$77,457,875</u>	<u>(\$1,719,165)</u>	<u>\$38,386</u>	<u>\$75,700,324</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$987,923
Special	230,846
Vocational	387,102
Support Services:	
Pupil	88,566
School Administration	70,922
Operations and Maintenance	98,726
Pupil Transportation	60,061
Operation of Non-Instructional Services	47,103
Extracurricular Activities	710
Total Depreciation Expense	<u>\$1,971,959</u>

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 7 - Long-Term Liabilities

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
Bonds:						
2002 School Facilities Project	5.15%	\$3,790,000	\$0	\$800,000	\$2,990,000	\$930,000
2006 Refunding Classroom Facilities - Current Interest	3.75-4.25%	8,120,000	0	135,000	7,985,000	130,000
2006 Refunding Classroom Facilities - Capital Appreciation Bonds	4.08-4.13%	20,000	0	0	20,000	0
Interest Accretion on Capital Appreciation Bonds		1,159,350	49,342	0	1,208,692	0
Premium on 2006 Refunding Bonds		20,245	0	1,500	18,745	0
Deferred Amount on 2006 Refunding Bonds	4.86%	(592,397)	0	(43,881)	(548,516)	0
Total Bonds		12,517,198	49,342	892,619	11,673,921	1,060,000
Capital Lease		1,466,516	0	169,758	1,296,758	176,758
Total Long Term Debt		13,983,714	49,342	1,062,377	12,970,679	1,236,758
Compensated Absences		2,159,373	200,321	460,904	1,898,790	292,159
Total Governmental Activities		<u>\$16,143,087</u>	<u>\$249,663</u>	<u>\$1,523,281</u>	<u>\$14,869,469</u>	<u>\$1,528,917</u>

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

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$1,060,000	\$463,585	\$1,523,585	\$0	\$0	\$0
2014	1,110,000	409,875	1,519,875	0	0	0
2015	1,175,000	346,288	1,521,288	0	0	0
2016	0	313,513	313,513	10,000	710,000	720,000
2017	0	313,513	313,513	10,000	715,000	725,000
2018-2022	4,305,000	1,161,865	5,466,865	0	0	0
2023-2025	3,325,000	218,769	3,543,769	0	0	0
Total	<u>\$10,975,000</u>	<u>\$3,227,408</u>	<u>\$14,202,408</u>	<u>\$20,000</u>	<u>\$1,425,000</u>	<u>\$1,445,000</u>

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 8 – Retirement Incentives

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

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

Further qualifications for the Retirement Incentive are as follows:

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

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

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

Note 9 – Prior Year Defeasance of Debt

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 10 – Capital Leases – Lessee Disclosure

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

The original amounts of \$78,790 and \$2,335,000 were capitalized as equipment and as building and improvement addition in 2010 and 2006, respectively. The District made \$169,758 in principal payments for fiscal year 2012. The principal amount owed on the leases at year end is \$1,296,758.

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, 2012. The capital lease will be paid out of the general fund.

Fiscal Year Ending June 30	Principal
2013	\$234,474
2014	214,021
2015	213,429
2016	212,527
2017	212,292
2018-2019	423,290
Total Minimum Lease Payments	\$1,510,033
Amount Representing Interest and Additional program cost component	(213,275)
Present Value of Minimum Lease Payments	<u>\$1,296,758</u>

Note 11 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$982,008, \$942,744, and \$870,396, respectively; contributions equaled the required contributions for each year.

State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

DB Plan Benefits

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

DC Plan Benefits

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

Combined Plan Benefits

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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

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

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

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

Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2012, 2011, and 2010 were \$2,786,532, \$2,877,672, and \$2,679,624, respectively; 85% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

Note 12- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .75%. District contributions for the year ended June 30, 2012, 2011 and 2010 were \$52,608, \$51,178, and \$47,250, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2012, the health care allocation was .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statues provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$38,579, \$96,295, and \$140,367, respectively.

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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

State Teachers Retirement System of Ohio

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2012, 2011 and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2012, 2011, and 2010 were \$199,038, \$205,548, and \$191,402, 85% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

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.

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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

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 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, 2011	\$0
Current Year Set Aside Requirements	600,888
Qualified Disbursements	(828,663)
Set Aside Reserve Balance as of June 30, 2012	<u>(227,775)</u>
Restricted Cash as of June 30, 2012	<u>\$0</u>
Carried Forward as of June 30, 2012	(\$14,423,465)

Offset credits for capital activity during the year exceeded the amount required for the set-aside, resulting in offset credits available for carryover to offset capital reserve requirements of future years. \$14,423,465 from the FY2002 building project is available to offset future capital reserve requirements.

Note 16 – Interfund Transactions

Interfund transactions at June 30, 2012, consisted of the following interfund receivables and interfund payables:

	Interfund	
	Receivable	Payable
General Fund	\$210,563	\$0
Other Governmental Funds	<u>14,366</u>	<u>224,929</u>
Total All Funds	<u>\$224,929</u>	<u>\$224,929</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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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.

Note 17 – Accountability

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

Fund	<u>Amounts</u>
Special Revenue Funds:	
Special Education	\$68,373
Miscellaneous State Grants	11,990
Education Jobs	302,154
Vocational Education	1,444
Title I	81,460
Title II D	5,023
Improving Teacher Quality	20,520

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

Metropolitan Dayton Educational Computer Association

The Metropolitan Dayton Educational Computer Association (MDECA) is a jointly governed organization consisting of Dayton area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MDECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District made payments of \$ \$102,035 to MDECA in fiscal year 2012.

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 \$1,821 to EPC in fiscal year 2012.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Montgomery County Educational Service Center

The Montgomery County Educational Service Center (MCEESC) supports a system for strong collaborative linkages of the major stakeholders: districts, educational providers, students, parents, and the public at 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 \$89,003 to MCEESC in fiscal year 2012.

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

Insurance Purchasing Pool

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

Public Entity Shared Risk Pool

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

Note 20 – Fund Balances

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Inventory	\$0	\$16,378	\$16,378
Total Nonspendable	0	16,378	16,378
Restricted for:			
Other Grants	0	20,294	20,294
Student Activity	0	342,157	342,157
Auxiliary Services	0	65,937	65,937
Career Development	0	3,229	3,229
Data Communications	0	28,525	28,525
Title VI	0	1,115	1,115
Race to the Top	0	350	350
Miscellaneous Federal Grants	0	435	435
Food Service	0	284,941	284,941
Classroom Facilities Maintenance	0	442,550	442,550
Debt Service	0	929,586	929,586
OSFC Local Initiative	0	638,672	638,672
Capital Outlay	0	1,302,906	1,302,906
Total Restricted	0	4,060,697	4,060,697
Committed to:			
Termination Benefits	131,433	0	131,433
Total Committed	131,433	0	131,433
Assigned to:			
Encumbrances	459,820	0	459,820
Public Schools	82,121	0	82,121
Total Assigned	541,941	0	541,941
Unassigned (Deficit)	6,761,779	(490,964)	6,270,815
Total Fund Balance	\$7,435,153	\$3,586,111	\$11,021,264

REQUIRED SUPPLEMENTARY INFORMATION

Mad River Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$8,087,231	\$8,326,767	\$8,326,767	\$0
Tuition and Fees	1,304,322	1,342,955	1,342,955	0
Investment Earnings	53,579	55,166	55,166	0
Intergovernmental	23,943,249	24,652,424	24,652,424	0
Other Revenues	123,856	127,524	127,524	0
Total Revenues	33,512,237	34,504,836	34,504,836	0
Expenditures:				
Current:				
Instruction:				
Regular	14,310,984	14,501,346	13,939,274	562,072
Special	3,387,773	3,432,837	3,299,780	133,057
Vocational	1,846,927	1,871,494	1,798,955	72,539
Student Intervention Services	1,476,505	1,496,146	1,438,155	57,991
Other	17	18	17	1
Support Services:				
Pupil	2,876,816	2,915,083	2,802,094	112,989
Instructional Staff	2,330,913	2,361,918	2,270,370	91,548
General Administration	73,280	74,255	71,377	2,878
School Administration	2,768,587	2,805,414	2,696,676	108,738
Fiscal	611,599	619,734	595,713	24,021
Operations and Maintenance	3,927,842	3,980,089	3,825,821	154,268
Pupil Transportation	1,498,881	1,518,818	1,459,949	58,869
Central	272,826	276,455	265,740	10,715
Operation of Non-Instructional Services	10,461	10,600	10,189	411
Extracurricular Activities	494,609	501,188	481,762	19,426
Capital Outlay	3,615	3,663	3,521	142
Debt Service:				
Principal Retirement	174,285	176,603	169,758	6,845
Interest and Fiscal Charges	69,909	70,839	68,093	2,746
Total Expenditures	36,135,829	36,616,500	35,197,244	1,419,256
Excess of Revenues Over (Under) Expenditures	(2,623,592)	(2,111,664)	(692,408)	1,419,256
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	22,300	22,961	22,961	0
Transfers (Out)	(256,667)	(260,081)	(250,000)	10,081
Total Other Financing Sources (Uses)	(234,367)	(237,120)	(227,039)	10,081
Net Change in Fund Balance	(2,857,959)	(2,348,784)	(919,447)	1,429,337
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	10,271,772	10,271,772	10,271,772	0
Fund Balance End of Year	\$7,413,813	\$7,922,988	\$9,352,325	\$1,429,337

See accompanying notes to the required supplementary information.

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Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2012

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2012.

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

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

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

Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2012

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	(\$174,111)
Revenue Accruals	(511,584)
Expenditure Accruals	288,623
Transfers Out	(250,000)
Encumbrances	<u>(272,375)</u>
Budget Basis	<u><u>(\$919,447)</u></u>

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through Ohio Department of Education					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$92,642		\$92,648
Cash Assistance:					
School Breakfast Program	10.553	\$217,260		\$217,260	
National School Lunch Program	10.555	963,740		963,740	
Summer Food Service Program for Children	10.559	58,109		58,109	
Total Child Nutrition Cluster		<u>1,239,109</u>	<u>92,642</u>	<u>1,239,109</u>	<u>92,648</u>
Total U.S. Department of Agriculture		<u>1,239,109</u>	<u>92,642</u>	<u>1,239,109</u>	<u>92,648</u>
U.S. DEPARTMENT OF EDUCATION					
Passed Through Ohio Department of Education					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	919,589		785,133	
ARRA - Title I Grants to Local Educational Agencies	84.389	68,808		49,116	
Total Title I, Part A Cluster		<u>988,398</u>		<u>834,249</u>	
Special Education Cluster (IDEA):					
Special Education Grants to the States	84.027	793,744		762,144	
Special Education Preschool Grants	84.173	31,978		16,953	
ARRA - Special Education Grants to the States	84.391	59,614		143,936	
ARRA - Special Education Preschool Grants	84.392	4,999		884	
Total Special Education Cluster (IDEA)		<u>890,334</u>		<u>923,917</u>	
Safe and Drug-Free Schools and Communities State Grants	84.186	12,714		9,998	
Career and Technical Education - Basic Grants to States	84.048	35,649		55,287	
Education Technology State Grants	84.318			917	
Improving Teacher Quality State Grants	84.367	118,614		122,687	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394			8,961	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants	84.395	118,478		138,730	
Education Jobs Fund	84.410	1,160,053		1,213,441	
Direct Aid					
Impact Aid	84.041	1,137,648		1,137,648	
Total U.S. Department of Education		<u>4,461,888</u>		<u>4,445,835</u>	
ENVIRONMENTAL PROTECTION AGENCY OFFICE OF AIR AND RADIATION					
Passed Through Ohio EPA					
ARRA - State Clean Diesel Grant Program	66.040			25,207	
Total Environmental Protection Agency Office of Air and Radiation				<u>25,207</u>	
Total		<u>\$5,700,997</u>	<u>\$92,642</u>	<u>\$5,710,151</u>	<u>\$92,648</u>

The accompanying notes are an integral part of this schedule.

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, 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, the major fund, and the aggregate remaining fund information of Mad River Local Schools, Montgomery County, (the District) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements and have issued our report thereon dated March 8, 2013.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 8, 2013.

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

March 8, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Mad River Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, the Mad River Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

We note a matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 8, 2013.

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



Dave Yost
Auditor of State

March 8, 2013

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<p>Child Nutrition Cluster: School Breakfast Program (10.553) National School Lunch Program (10.555) Summer Food Service Program for Children (10.559)</p> <p>ARRA – State Fiscal Stabilization Fund (SFSF) – Race to the Top Incentive Grants (84.395)</p> <p>Education Jobs Fund (84.410)</p> <p>Impact Aid (84.041)</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None Noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted



Dave Yost • Auditor of State

MAD RIVER LOCAL SCHOOLS

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 2, 2013**