



Dave Yost • Auditor of State

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Mad River Local School District, Montgomery County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 26, 2016

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**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

The discussion and analysis of Mad River Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- Net position of governmental activities increased \$3,019,838 which represents a 16.1% increase from 2014.
- General revenues accounted for \$34,639,966 in revenue or 71% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$13,865,239 or 29% of total revenues of \$48,505,205.
- The District had \$45,485,367 in expenses related to governmental activities; \$13,865,239 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$34,639,966 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" 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 position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial

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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 Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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

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**Mad River Local School District
Management's Discussion and Analysis
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(Unaudited)**

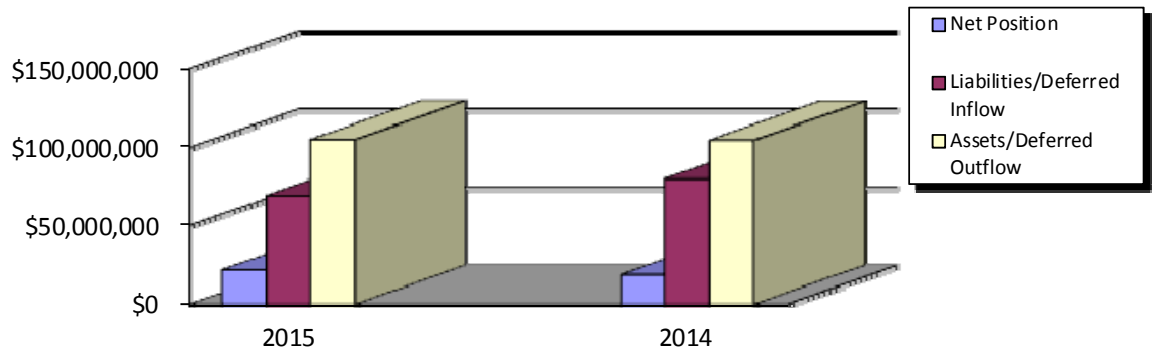
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2015 compared to 2014:

Table 1
Net Position

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014-Restated</u>
Assets:		
Current and Other Assets	\$32,974,757	\$32,006,563
Capital Assets	<u>72,227,375</u>	<u>72,815,143</u>
Total Assets	<u>105,202,132</u>	<u>104,821,706</u>
Deferred Outflows of Resources:		
Deferred Charge on Refunding	416,873	460,754
Pension	<u>4,050,201</u>	<u>3,207,192</u>
Total Deferred Outflows of Resources	<u>4,467,074</u>	<u>3,667,946</u>
Liabilities:		
Other Liabilities	5,000,913	5,040,050
Long-Term Liabilities	<u>64,420,404</u>	<u>75,072,199</u>
Total Liabilities	<u>69,421,317</u>	<u>80,112,249</u>
Deferred Inflows of Resources:		
Property Taxes	9,214,449	9,603,704
Pension	<u>9,239,903</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>18,454,352</u>	<u>9,603,704</u>
Net Position:		
Net Investment in Capital Assets	63,393,314	63,307,540
Restricted	2,887,236	3,187,311
Unrestricted	<u>(44,487,013)</u>	<u>(47,721,152)</u>
Total Net Position	<u>\$21,793,537</u>	<u>\$18,773,699</u>

**Mad River Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**



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

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no

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Management's Discussion and Analysis
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legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$76,148,728 to \$18,773,699.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,793,537.

At year-end, capital assets represented 69% of total assets. Capital assets include land, buildings and improvements, and equipment and vehicles. Net investment in capital assets at June 30, 2015, was \$63,393,314. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,887,236 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets increased mainly due to an increase in cash. Long-Term Liabilities increased due to the implementation of GASB 68.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues:		
Program Revenues		
Charges for Services	\$4,976,757	\$4,547,967
Operating Grants, Contributions	8,888,482	8,506,605
General Revenues:		
Property Taxes	10,773,917	10,859,322
Grants and Entitlements	23,523,198	21,752,085
Investment Earnings	84,613	76,289
Other	258,238	162,157
Total Revenues	<u>48,505,205</u>	<u>45,904,425</u>
Program Expenses:		
Instruction	27,615,071	26,709,756
Support Services:		
Pupil and Instructional Staff	4,579,051	4,252,154
School Administrative, General Administration, Fiscal and Business	3,327,276	3,366,585
Operations and Maintenance	4,018,070	3,800,960
Pupil Transportation	1,439,515	1,548,614
Central	491,380	368,125
Operation of Non-Instructional Services	2,776,964	2,668,326
Extracurricular Activities	728,314	720,047
Interest and Fiscal Charges	509,726	550,079
Total Program Expenses	<u>45,485,367</u>	<u>43,984,646</u>
Change in Net Position	3,019,838	1,919,779
Net Position - Beginning of Year, Restated	<u>18,773,699</u>	<u>N/A</u>
Net Position - End of Year	<u><u>\$21,793,537</u></u>	<u><u>\$18,773,699</u></u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$3,207,192 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$2,478,837. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

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Total 2015 program expenses under GASB 68	\$45,485,367
Program expenses under GASB 68	(2,478,837)
2015 contractually required contributions	<u>3,568,764</u>
Adjusted 2015 program expenses	46,575,294
Total 2014 program expenses under GASB 27	<u>43,984,646</u>
Increase in program expenses not related to pension	<u><u>\$2,590,648</u></u>

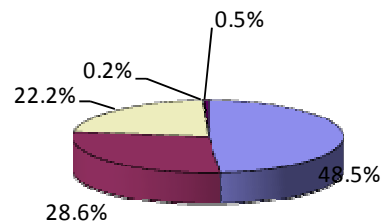
Governmental Activities

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

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

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 22% of revenue for governmental activities for the District in fiscal year 2015.

Revenue Sources	2015	Percent of Total
General Grants	\$23,523,198	48.50%
Program Revenues	13,865,239	28.59%
General Tax Revenues	10,773,917	22.21%
Investment Earnings	84,613	0.17%
Other Revenues	<u>258,238</u>	<u>0.53%</u>
	<u><u>\$48,505,205</u></u>	<u><u>100.00%</u></u>



Instruction comprises 60.7% of governmental program expenses. Support services expenses were 30.5% 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 an increase in grants revenue mainly due to an increase in grant money receipts from state and federal sources. Instructional expenses increased mainly due to increase in cost of educating students.

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

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Management's Discussion and Analysis
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(Unaudited)**

cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$27,615,071	\$26,709,756	(\$17,248,492)	(\$17,276,977)
Support Services:				
Pupil and Instructional Staff	4,579,051	4,252,154	(4,545,058)	(3,964,690)
School Administrative, General				
Administration, Fiscal and Business	3,327,276	3,366,585	(3,326,192)	(3,365,792)
Operations and Maintenance	4,018,070	3,800,960	(3,855,046)	(3,633,712)
Pupil Transportation	1,439,515	1,548,614	(1,184,515)	(1,268,892)
Central	491,380	368,125	(488,747)	(349,409)
Operation of Non-Instructional Services	2,776,964	2,668,326	85,109	40,850
Extracurricular Activities	728,314	720,047	(547,461)	(561,373)
Interest and Fiscal Charges	509,726	550,079	(509,726)	(550,079)
Total Expenses	<u>\$45,485,367</u>	<u>\$43,984,646</u>	<u>(\$31,620,128)</u>	<u>(\$30,930,074)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$28,329,338 (85%) of the total \$33,261,126 governmental funds assets.

General Fund: Fund balance at June 30, 2015 was \$15,073,446, an increase in fund balance of \$1,851,772 from 2014. The primary reason for the increase in the fund balance was due to an increase in cash of \$1,359,320 from fiscal year 2014 to 2015.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, 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 \$39,674,214, compared to final budget estimates of \$40,884,061. The difference between the original budget basis and final budget was \$1,209,847, which was mostly due to underestimates for taxes and intergovernmental revenue estimates.

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Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

The District’s ending unobligated cash balance was \$16,676,388.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$72,227,375 invested in land, buildings and improvements, equipment and vehicles. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

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

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$1,068,500	\$1,068,500
Construction In Progress	0	175,612
Buildings and Improvements	69,177,610	69,880,163
Equipment and Vehicles	<u>1,981,265</u>	<u>1,690,868</u>
 Total Net Capital Assets	 <u><u>\$72,227,375</u></u>	 <u><u>\$72,815,143</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, 2015, the District had \$10,618,411 in bonds and capital leases outstanding, \$1,027,105 due within one year. Table 5 summarizes debt outstanding.

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**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2015	2014
Bonds and Leases Payables:		
Ohio School Facility Project Bond	\$0	\$1,060,000
Refunding Bonds:		
Current Interest Bonds		
Classroom Facilities	7,630,000	7,745,000
Capital Appreciation Bonds	20,000	20,000
Interest Accretion on Capital Appreciation Bonds	1,367,477	1,312,237
Accrued Premium on Refunding Bonds	14,245	15,745
Capital Lease	777,000	952,000
Bus Garage Lease	809,689	932,271
Total Bonds and Leases	<u>\$10,618,411</u>	<u>\$12,037,253</u>

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

For the Future

The economic climate at this time is that the economy has shown signs of improvement but growth has been very slow. The housing sector is still in a serious slump or decline due to the sub-prime mortgage fallout but is showing some signs of recovery. Foreclosures and vacant properties are still very common. The condition of the housing sector means that property tax revenue will continue to be hurt by delinquent collections and reduced valuations. New construction within the District is almost non-existent but one new housing subdivision is under construction. The District's assessed property valuation has declined in the County Auditor's 2014 tri-annual appraisal from \$248,381,860 to \$229,141,140 resulting in an estimated loss of \$103,628 in tax revenue to the General Fund for FY15. Real estate tax revenues are expected to grow very slowly if any until valuations improve.

The District's native enrollment had been declining but enrollment has now recovered and climbed to 3,863 since the District opened enrollment to outside students beginning in FY12. There were 554 open enrollment students in FY15 and over 550 have enrolled for FY16. The District is funded on a per-student basis and is not on the "guarantee" for Foundation funding. Open enrollment brought in \$3,051,493 funding in addition to the regular State foundation funding of \$25,241,565 in FY15. The new Ohio biennium budget is projected to increase funding for Mad River by 3.4% (\$833,919) for FY16 and 2.5% (\$622,758) for FY17.

Real Estate Tax revenues for the District had been increasing in recent years with the passage of a new 5.9 mill continuing levy to fund operations at the March 2012 election until the County Auditors tri-annual reappraisal reversed that trend by lowering appraised property values by 8%. Total real estate taxes for the general fund are projected to be about the same in FY16 according to the County Auditor's office.

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For the Fiscal Year Ended June 30, 2015
(Unaudited)**

The District has run a surplus for the last three fiscal years and now has a General fund cash balance of \$16,977,367 at June 30, 2015 which is up from \$14,647,554 at the beginning of FY15. A surplus is projected again for FY16 but it is expected to be smaller than in previous years.

Current Management operates under the principle that budgeted expenditures shall not exceed expected revenues, and to maintain at least three months' worth of expenses in reserve fund balance. No new operating tax levies are projected to be required for at least another five 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 maintain a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jerry Ellender, Treasurer at Mad River Local School District, 801 Old Harshman Road, Riverside, Ohio 45431. By phone at 937-259-6610 or by e-mail at jerry.ellender@madriverschools.org.

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Mad River Local School District, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$21,531,952
Receivables (Net):	
Taxes	10,864,931
Accounts	4,644
Interest	14,752
Intergovernmental	539,883
Inventory	18,595
Nondepreciable Capital Assets	1,068,500
Depreciable Capital Assets, Net	<u>71,158,875</u>
 Total Assets	 <u>105,202,132</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	416,873
	<u>4,050,201</u>
 Total Deferred Outflows of Resources	 <u>4,467,074</u>
Liabilities:	
Accounts Payable	394,649
Accrued Wages and Benefits	4,579,997
Accrued Interest Payable	26,267
Long-Term Liabilities:	
Due Within One Year	1,314,324
Due In More Than One Year:	
Net Pension Liability	51,095,398
Other Amounts	<u>12,010,682</u>
 Total Liabilities	 <u>69,421,317</u>
Deferred Inflows of Resources:	
Property Taxes	9,214,449
Pension	<u>9,239,903</u>
 Total Deferred Inflows of Resources	 <u>18,454,352</u>
Net Position:	
Net Investment in Capital Assets	63,393,314
Restricted for:	
Debt Service	420,549
Capital Projects	1,408,862
Food Service	223,633
Classroom Facilities Maintenance	403,159
District Managed Student Activities	311,407
State Grants	48,176
Federal Grants	8,336
Other Purposes	63,114
Unrestricted	<u>(44,487,013)</u>
 Total Net Position	 <u>\$21,793,537</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, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$16,997,140	\$3,708,084	\$1,176,840	(\$12,112,216)
Special	6,685,088	278,579	4,051,841	(2,354,668)
Vocational	2,161,608	0	1,151,235	(1,010,373)
Other	1,771,235	0	0	(1,771,235)
Support Services:				
Pupil	3,085,837	0	0	(3,085,837)
Instructional Staff	1,493,214	0	33,993	(1,459,221)
General Administration	84,237	0	0	(84,237)
School Administration	2,640,550	0	0	(2,640,550)
Fiscal	602,489	0	1,084	(601,405)
Operations and Maintenance	4,018,070	15,107	147,917	(3,855,046)
Pupil Transportation	1,439,515	142,872	112,128	(1,184,515)
Central	491,380	0	2,633	(488,747)
Operation of Non-Instructional Services	2,776,964	651,262	2,210,811	85,109
Extracurricular Activities	728,314	180,853	0	(547,461)
Interest and Fiscal Charges	509,726	0	0	(509,726)
Totals	\$45,485,367	\$4,976,757	\$8,888,482	(31,620,128)

General Revenues:

Property Taxes Levied for:

General Purposes	9,524,783
Special Revenue Purposes	97,904
Debt Service Purposes	1,151,230
Grants and Entitlements, Not Restricted	23,523,198
Unrestricted Contributions	30,643
Investment Earnings	84,613
Other Revenues	227,595

Total General Revenues 34,639,966

Change in Net Position 3,019,838

Net Position - Beginning of Year, Restated 18,773,699

Net Position - End of Year \$21,793,537

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Balance Sheet
 Governmental Funds
 June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$18,407,816	\$3,124,136	\$21,531,952
Receivables (Net):			
Taxes	9,607,350	1,257,581	10,864,931
Accounts	2,000	2,644	4,644
Interest	14,752	0	14,752
Intergovernmental	25,417	514,466	539,883
Interfund	272,003	14,366	286,369
Inventory	0	18,595	18,595
Total Assets	28,329,338	4,931,788	33,261,126
Liabilities:			
Accounts Payable	272,533	122,116	394,649
Accrued Wages and Benefits	4,030,622	549,375	4,579,997
Compensated Absences	74,795	0	74,795
Interfund Payable	0	286,369	286,369
Total Liabilities	4,377,950	957,860	5,335,810
Deferred Inflows of Resources:			
Property Taxes	8,150,113	1,064,336	9,214,449
Grants and Other Taxes	0	125,895	125,895
Unavailable Revenue	727,829	98,030	825,859
Total Deferred Inflows of Resources	8,877,942	1,288,261	10,166,203
Fund Balances:			
Restricted	0	2,898,162	2,898,162
Committed	541,363	0	541,363
Assigned	372,677	0	372,677
Unassigned	14,159,406	(212,495)	13,946,911
Total Fund Balances	15,073,446	2,685,667	17,759,113
Total Liabilities, Deferred Inflows and Fund Balances	\$28,329,338	\$4,931,788	\$33,261,126

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balance		\$17,759,113
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		72,227,375
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	825,859	
Intergovernmental	<u>125,895</u>	
		951,754
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(26,267)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(2,631,800)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		416,873
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	4,050,201	
Deferred inflows of resources related to pensions	<u>(9,239,903)</u>	
		(5,189,702)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(51,095,398)	
Other Amounts	<u>(10,618,411)</u>	
		<u>(61,713,809)</u>
Net Position of Governmental Activities		<u><u>\$21,793,537</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, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$9,689,188	\$1,272,199	\$10,961,387
Tuition and Fees	3,976,406	0	3,976,406
Investment Earnings	84,613	0	84,613
Intergovernmental	27,823,632	4,601,636	32,425,268
Extracurricular Activities	160,520	164,876	325,396
Charges for Services	0	651,262	651,262
Other Revenues	131,597	126,742	258,339
Total Revenues	41,865,956	6,816,715	48,682,671
Expenditures:			
Current:			
Instruction:			
Regular	16,016,731	262,354	16,279,085
Special	4,838,292	1,739,251	6,577,543
Vocational	1,811,854	57,600	1,869,454
Other	1,753,450	0	1,753,450
Support Services:			
Pupil	3,037,947	0	3,037,947
Instructional Staff	1,495,246	39,557	1,534,803
General Administration	85,106	0	85,106
School Administration	2,595,167	0	2,595,167
Fiscal	598,594	20,833	619,427
Operations and Maintenance	3,726,425	477,065	4,203,490
Pupil Transportation	2,667,026	0	2,667,026
Central	487,178	11,092	498,270
Operation of Non-Instructional Services	13,384	2,780,620	2,794,004
Extracurricular Activities	550,551	199,092	749,643
Debt Service:			
Principal Retirement	297,582	1,175,000	1,472,582
Interest and Fiscal Charges	70,086	346,288	416,374
Total Expenditures	40,044,619	7,108,752	47,153,371
Excess of Revenues Over (Under) Expenditures	1,821,337	(292,037)	1,529,300
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	30,435	0	30,435
Total Other Financing Sources (Uses)	30,435	0	30,435
Net Change in Fund Balance	1,851,772	(292,037)	1,559,735
Fund Balance - Beginning of Year	13,221,674	2,977,704	16,199,378
Fund Balance - End of Year	\$15,073,446	\$2,685,667	\$17,759,113

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, 2015

Net Change in Fund Balance - Total Governmental Funds \$1,559,735

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

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

Capital assets used in governmental activities	1,590,775	
Depreciation Expense	<u>(2,171,699)</u>	
		(580,924)

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. (6,844)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	3,568,766	
Cost of benefits earned net of employee contributions	<u>(2,478,837)</u>	
		1,089,929

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

Delinquent Property Taxes	(187,470)	
Intergovernmental	<u>(13,587)</u>	
		(201,057)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,472,582

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 4,269

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	(220,231)	
Amortization of Bond Premium	1,500	
Amortization of Deferred Charge on Refunding	(43,881)	
Bond Accretion	<u>(55,240)</u>	
		<u>(317,852)</u>

Change in Net Position of Governmental Activities \$3,019,838

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$5,082	\$76,237
Total Assets	<u>5,082</u>	<u>76,237</u>
Liabilities:		
Accounts Payable	0	3,188
Other Liabilities	<u>0</u>	<u>73,049</u>
Total Liabilities	<u>0</u>	<u>\$76,237</u>
Net Position:		
Held in Trust	<u>5,082</u>	
Total Net Position	<u><u>5,082</u></u>	

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions:	
Donations	<u>\$2,349</u>
Total Additions	<u>2,349</u>
Deductions:	
Other	<u>3,000</u>
Total Deductions	<u>3,000</u>
Change in Net Position	(651)
Net Position - Beginning of Year	<u>5,733</u>
Net Position - End of Year	<u>\$5,082</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, 2015

Note 1 – Description of the District

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

Reporting Entity

In accordance with Governmental Accounting Standards Board [GASB] Statement 14/39/61, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities. The District is associated with three organizations that are defined as jointly governed organizations. These organizations are the Montgomery County Educational Service Center, Metropolitan Dayton Educational Cooperative 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.

Measurement Focus

Government-wide Financial Statements

The District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information. The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a private purpose trust fund which

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

accounts for scholarship programs for students. The District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include pension, property taxes, grants and other taxes and unavailable revenues. Property taxes represent

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenses/Expenditures

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

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

Equity in Pooled Cash and Investments

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2015. 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, 2015.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2015 amounted to \$84,613 in the general fund and \$0 in the other governmental funds.

Inventory

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

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Pensions

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

Compensated Absences

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

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

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

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

**Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015**

Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Used prior to termination	Used prior to termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	328 days	328 days	328 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/4 paid upon retirement	1/4 paid upon retirement	1/4 paid upon retirement

Net Position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$2,887,236 restricted net position reported at fiscal year end, none were restricted by enabling legislation.

Interfund Activity

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

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Fund Balance

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

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

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

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

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

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

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

Estimates

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

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.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than five years from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution that are not FDIC insured.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2015, \$12,739,596 of the District’s bank balance of \$12,994,816 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, 2015, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$5,800	0.00
STAROhio	24,433	0.00
Federal Home Loan Bank	405,096	1.25
Federal Home Loan Mortgage Corporation	3,227,246	1.91
Federal National Mortgage Association	4,421,690	2.69
U.S. Treasury Note	800,375	0.34
	<u>\$8,884,640</u>	
Portfolio Weighted Average Maturity		2.17

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 U.S. Treasury Notes, were rated AA+ by Standard and Poor’s and Fitch ratings and Aaa by Moody’s Investors Service. STAROhio was rated AAAM by Standards & Poor’s, while the Money Market Fund was not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities as well as other investments permitted by Ohio Law. The District has invested less

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

than 1% of the District's investments in Money Market Funds, less than 1% in STAR Ohio, 5% in Federal Home Loan Bank, 36% in Federal Home Loan Mortgage Corporation, 49% in Federal National Mortgage Association, and 9% 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 while the District's fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014 on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value

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, 2015, are available to finance fiscal year 2016 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, 2015 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, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflow of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2015, was \$729,408 for General Fund and \$95,215 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.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2015 First Half Amount	2014 Second Half Amount
Agricultural/Residential and Other Real Estate	\$217,798,480	\$237,370,780
Public Utility Personal	11,342,660	11,011,080
Total	<u>\$229,141,140</u>	<u>\$248,381,860</u>

Note 5 – Receivables

Receivables at June 30, 2015, 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.

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,068,500	\$0	\$0	\$1,068,500
Construction in Progress	175,612	0	175,612	0
Capital Assets, being depreciated:				
Buildings and Improvements	87,084,907	1,086,614	0	88,171,521
Equipment and Vehicles	<u>5,577,963</u>	<u>679,773</u>	<u>327,790</u>	<u>5,929,946</u>
Totals at Historical Cost	<u>93,906,982</u>	<u>1,766,387</u>	<u>503,402</u>	<u>95,169,967</u>
Less Accumulated Depreciation:				
Buildings and Improvements	17,204,744	1,789,167	0	18,993,911
Equipment and Vehicles	<u>3,887,095</u>	<u>382,532</u>	<u>320,946</u>	<u>3,948,681</u>
Total Accumulated Depreciation	<u>21,091,839</u>	<u>2,171,699</u>	<u>320,946</u>	<u>22,942,592</u>
Governmental Activities Capital Assets, Net	<u>\$72,815,143</u>	<u>(\$405,312)</u>	<u>\$182,456</u>	<u>\$72,227,375</u>

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,013,232
Special	233,231
Vocational	423,222
Other Instruction	11,014
Support Services:	
Pupil	88,887
School Administration	71,567
Operations and Maintenance	157,546
Pupil Transportation	106,162
Operation of Non-Instructional Services	63,978
Extracurricular Activities	2,860
Total Depreciation Expense	<u><u>\$2,171,699</u></u>

Note 7 - Long-Term Liabilities

	Interest Rate	Restated Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
Bonds:						
2002 School Facilities Project	5.15%	\$1,060,000	\$0	\$1,060,000	\$0	\$0
2006 Refunding Classroom Facilities - Current Interest	3.75-4.25%	7,745,000	0	115,000	7,630,000	0
2006 Refunding Classroom Facilities - Capital Appreciation Bonds	4.08-4.13%	20,000	0	0	20,000	10,000
Interest Accretion on Capital Appreciation Bonds		1,312,237	55,240	0	1,367,477	710,000
Premium on 2006 Refunding Bonds		15,745	0	1,500	14,245	0
Total Bonds		<u>10,152,982</u>	<u>55,240</u>	<u>1,176,500</u>	<u>9,031,722</u>	<u>720,000</u>
Net Pension Liability:						
STRS		49,557,045	0	7,841,852	41,715,193	0
SERS		11,025,176	0	1,644,971	9,380,205	0
Total Net Pension Liability		<u>60,582,221</u>	<u>0</u>	<u>9,486,823</u>	<u>51,095,398</u>	<u>0</u>
OASBO Capital Lease	4.47%	952,000	0	175,000	777,000	182,000
Bus Garage Lease	3.00%	932,271	0	122,582	809,689	125,105
Total Long Term Debt		<u>72,619,474</u>	<u>55,240</u>	<u>10,960,905</u>	<u>61,713,809</u>	<u>1,027,105</u>
Compensated Absences		2,452,725	487,340	233,470	2,706,595	287,219
Total Governmental Activities		<u><u>\$75,072,199</u></u>	<u><u>\$542,580</u></u>	<u><u>\$11,194,375</u></u>	<u><u>\$64,420,404</u></u>	<u><u>\$1,314,324</u></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:

Mad River Local School District
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For The Fiscal Year Ended June 30, 2015

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	730,000	298,913	1,028,913	0	0	0
2019	820,000	267,913	1,087,913	0	0	0
2020	855,000	234,413	1,089,413	0	0	0
2021-2025	5,225,000	579,396	5,804,396	0	0	0
Total	<u>\$7,630,000</u>	<u>\$2,007,661</u>	<u>\$9,637,661</u>	<u>\$20,000</u>	<u>\$1,425,000</u>	<u>\$1,445,000</u>

Note 8 – Retirement Incentives

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

The liability for fiscal year 2015 retirement incentives (bonus) is \$0.

Note 9 – Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District’s financial statements. As of June 30, 2015 all of the defeased debt was paid off. The original maturities of these bonds were fiscal year 2016 through 2024 with a call date of December 1, 2012 for all outstanding bonds.

Note 10 – Capital Leases – Lessee Disclosure

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

The original amount of \$2,335,000 was capitalized as building and improvement addition in 2006. The District made \$175,000 in principal payments for fiscal year 2015. The principal amount owed on the lease at year end is \$777,000.

In fiscal year 2014, the District entered into a capital lease for a transportation garage. The original amount of \$932,271 was capitalized as a building and improvement addition in 2015. The District made \$122,582 in principal payments for fiscal year 2015. The principal amount owed on the lease at year end is \$809,689.

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, 2015. The capital lease will be paid out of the general fund.

Fiscal Year Ending June 30	
2016	\$360,991
2017	360,756
2018	360,169
2019	360,049
2020	148,465
2021	148,466
Total Minimum Lease Payments	<u>\$1,738,896</u>
Amount Representing Interest and Additional program cost component	<u>(152,207)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,586,689</u></u>

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 11 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

**Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015**

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$909,528 for fiscal year 2015. Of this amount \$170,019 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth

Mad River Local School District
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For The Fiscal Year Ended June 30, 2015

anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,659,236 for fiscal year 2015. Of this amount \$446,552 is reported as accrued wages and benefits.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$9,380,205	\$41,715,193	\$51,095,398
Proportion of the Net Pension Liability	0.18534500%	0.17150188%	
Pension Expense	551,633	1,927,204	2,478,837

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$79,836	\$401,599	\$481,435
District contributions subsequent to the measurement date	<u>909,530</u>	<u>2,659,236</u>	<u>3,568,766</u>
Total Deferred Outflows of Resources	<u>\$989,366</u>	<u>\$3,060,835</u>	<u>\$4,050,201</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$1,522,434</u>	<u>\$7,717,469</u>	<u>\$9,239,903</u>

\$3,568,766 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$360,649)	(\$1,828,967)	(\$2,189,616)
2017	(360,649)	(1,828,967)	(2,189,616)
2018	(360,650)	(1,828,968)	(2,189,618)
2019	<u>(360,650)</u>	<u>(1,828,968)</u>	<u>(2,189,618)</u>
Total	<u>(\$1,442,598)</u>	<u>(\$7,315,870)</u>	<u>(\$8,758,468)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$13,382,765	\$9,380,205	\$6,013,706

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$59,719,846	\$41,715,193	\$26,489,314

Note 12 - Post Employment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$94,225.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$147,497, \$87,647, and \$99,727, respectively. For fiscal year 2015, 81 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$173,000, and \$168,609 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 13 – Contingent Liabilities

Litigation

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

Foundation Funding

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

Grants

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

applicable funds; however, in the opinion of management, any such disallowed claims will not have a material, adverse effect on the overall financial condition of the District at June 30, 2015.

Note 14 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year, the District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% co-insured with \$5,000 deductible.

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

Note 15 – Set-Aside Calculation

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

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

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2014	\$0
Current Year Set Aside Requirements	650,168
Qualified Disbursements	(906,430)
Set Aside Reserve Balance as of June 30, 2015	<u>(256,262)</u>
Restricted Cash as of June 30, 2015	<u>\$0</u>
Carried Forward as of June 30, 2015	(\$14,423,465)

Offset credits for capital activity during the year exceeded the amount required for the set-aside. \$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, 2015, consisted of the following interfund receivables and interfund payables:

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

	Interfund	
	Receivable	Payable
General Fund	\$272,003	\$0
Other Governmental Funds	14,366	286,369
Total All Funds	<u>\$286,369</u>	<u>\$286,369</u>

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

Note 17 – Accountability

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

Fund	<u>Amounts</u>
Special Revenue Funds:	
Early Childhood Education Expansion	\$1,838
Special Education	68,810
Vocational Education	1,444
Title I	130,942
Improving Teacher Quality	8,846
Title III	615

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 Cooperative Association

The Metropolitan Dayton Educational Cooperative 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 \$76,745 to MDECA in fiscal year 2015. Financial information can be obtained from Dean Reineke, who serves as the Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

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.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Member districts benefit from the EPC's ability to aggregate volumes on goods and services such as health insurance; liability, fleet and property insurance; utilities; group rating; as well as food; classroom and office supplies; furniture; medical supplies and much more. The District made payments of \$300 to EPC in fiscal year 2015.

Montgomery County Educational Service Center

The Montgomery County Educational Service Center (MCESC) supports a system for strong collaborative linkages of the major stakeholders: districts, educational providers, students, parents, and the public at 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 \$871,030 to MCESC in fiscal year 2015. Financial information can be obtained from Chris Fox, who serves as the Treasurer, at 200 South Keowee Street, Dayton, Ohio 45402.

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

Insurance Purchasing Pool

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

Public Entity Shared Risk Pool

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

Note 20 – Fund Balances

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Fund Balances	General	Other Governmental Funds	Total
Restricted for:			
Other Grants	0	43,067	43,067
Student Activity	0	311,407	311,407
Auxiliary Services	0	44,789	44,789
Career Development	0	3,229	3,229
Title VI	0	1,115	1,115
Food Service	0	334,760	334,760
Classroom Facilities Maintenance	0	395,306	395,306
Debt Service	0	355,627	355,627
OSFC Local Initiative	0	639,672	639,672
Capital Outlay	0	769,190	769,190
Total Restricted	0	2,898,162	2,898,162
Committed to:			
Termination Benefits	541,363	0	541,363
Total Committed	541,363	0	541,363
Assigned to:			
Encumbrances	221,653	0	221,653
Public Schools	151,024	0	151,024
Total Assigned	372,677	0	372,677
Unassigned (Deficit)	14,159,406	(212,495)	13,946,911
Total Fund Balance	\$15,073,446	\$2,685,667	\$17,759,113

Note 21 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 22 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$76,148,728
Adjustments:	
Net Pension Liability	(60,582,221)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>3,207,192</u>
Restated Net Position June 30, 2014	<u><u>\$18,773,699</u></u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$9,042,041	\$9,317,774	\$9,317,774	\$0
Tuition and Fees	3,460,680	3,566,212	3,566,212	0
Investment Earnings	56,543	58,267	58,267	0
Intergovernmental	27,027,076	27,851,254	27,851,254	0
Other Revenues	87,874	90,554	90,554	0
Total Revenues	39,674,214	40,884,061	40,884,061	0
Expenditures:				
Current:				
Instruction:				
Regular	15,339,006	15,918,605	15,750,461	168,144
Special	4,705,475	4,883,276	4,831,695	51,581
Vocational	1,840,599	1,910,147	1,889,971	20,176
Student Intervention Services	1,517,547	1,574,889	1,558,254	16,635
Support Services:				
Pupil	2,954,397	3,066,032	3,033,646	32,386
Instructional Staff	1,458,978	1,514,107	1,498,114	15,993
General Administration	89,009	92,373	91,397	976
School Administration	2,552,412	2,648,857	2,620,878	27,979
Fiscal	603,266	626,061	619,448	6,613
Operations and Maintenance	3,610,247	3,746,664	3,707,089	39,575
Pupil Transportation	1,748,245	1,814,304	1,795,140	19,164
Central	455,267	472,470	467,479	4,991
Extracurricular Activities	538,445	558,790	552,888	5,902
Capital Outlay	213,478	221,544	219,204	2,340
Total Expenditures	37,626,371	39,048,119	38,635,664	412,455
Excess of Revenues Over (Under) Expenditures	2,047,843	1,835,942	2,248,397	412,455
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	29,534	30,435	30,435	0
Transfers (Out)	(243,469)	(252,669)	(250,000)	2,669
Total Other Financing Sources (Uses)	(213,935)	(222,234)	(219,565)	2,669
Net Change in Fund Balance	1,833,908	1,613,708	2,028,832	415,124
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	14,647,556	14,647,556	14,647,556	0
Fund Balance - End of Year	\$16,481,464	\$16,261,264	\$16,676,388	\$415,124

See accompanying notes to the required supplementary information.

Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2015

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2015.

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

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

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

Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2015

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,851,772
Revenue Accruals	(981,895)
Expenditure Accruals	1,806,135
Transfers Out	(250,000)
Encumbrances	(300,969)
Funds Budgeted Elsewhere	<u>(96,211)</u>
Budget Basis	<u><u>\$2,028,832</u></u>

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

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

(1) - Information prior to 2013 is not available

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

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

(1) - Information prior to 2013 is not available

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$2,659,236	\$2,453,186	\$2,360,520	\$2,786,532	\$2,877,672	\$2,679,624	\$2,471,052	\$2,435,076	\$2,492,100	\$2,294,628
Contributions in Relation to the Contractually Required Contribution	(2,659,236)	(2,453,186)	(2,360,520)	(2,786,532)	(2,877,672)	(2,679,624)	(2,471,052)	(2,435,076)	(2,492,100)	(2,294,628)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$18,994,543	\$18,870,662	\$18,157,846	\$21,434,862	\$22,135,938	\$20,612,492	\$19,008,092	\$18,731,354	\$19,170,000	\$17,650,985
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$909,528	\$754,006	\$875,592	\$982,008	\$942,744	\$870,396	\$805,152	\$743,004	\$752,712	\$739,032
Contributions in Relation to the Contractually Required Contribution	(909,528)	(754,006)	(875,592)	(982,008)	(942,744)	(870,396)	(805,152)	(743,004)	(752,712)	(739,032)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$6,900,819	\$5,440,159	\$6,326,532	\$7,301,175	\$7,499,952	\$6,428,331	\$8,182,439	\$7,566,232	\$7,047,865	\$6,985,180
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$242,972		\$242,972	
National School Lunch Program	10.555	1,106,053	\$98,173	1,106,053	\$98,173
Summer Food Service Program for Children	10.559	59,451		59,451	
Total Child Nutrition Cluster		<u>1,408,476</u>	<u>98,173</u>	<u>1,408,476</u>	<u>98,173</u>
Total U.S. Department of Agriculture		1,408,476	98,173	1,408,476	98,173
U.S. Department of Education					
<i>Passed through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	1,005,936		1,066,982	
Special Education Cluster:					
Special Education - Grants to States	84.027	687,403		753,525	
Special Education - Preschool Grants	84.173	<u>19,648</u>		<u>19,648</u>	
Total Special Education Cluster		<u>707,051</u>		<u>773,173</u>	
Career and Technical Education - Basic Grants to States	84.048	51,595		59,127	
English Language Acquisition State Grants	84.365	15,345		19,018	
Improving Teacher Quality State Grants	84.367	124,565		137,612	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	37,192		32,089	
<i>Direct Aid</i>					
Impact Aid	84.041	<u>717,809</u>		<u>717,809</u>	
Total U.S. Department of Education		<u>2,659,493</u>		<u>2,805,810</u>	
Total Federal Financial Assistance		<u>\$4,067,969</u>	<u>\$98,173</u>	<u>\$4,214,286</u>	<u>\$98,173</u>

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

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Mad River Local School District's (the District's) federal award programs' receipts and expenditures. 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 - IMPACT AID

The District commingles cash receipts from the U.S. Department of Education with unrestricted state and local monies. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE D - FOOD DONATION PROGRAM

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

NOTE E - 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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mad River Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 26, 2016, wherein we noted the District adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

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 opinion 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 considered 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*.

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 26, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited Mad River Local School District's (the District) compliance with the applicable 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 Mad River Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Mad River Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 26, 2016

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education – Grants to States: CFDA #84.027 Special Education – Preschool Grants: CFDA #84.173 Impact Aid: CFDA # 84.041
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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MAD RIVER LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 1, 2016**