



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, each major fund, and the aggregate remaining fund information of Mad River Local School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mad River Local School District, Montgomery County, Ohio, as of June 30, 2014, 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 fiscal year 2014, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 and the required budgetary comparison schedule*, 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 also 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 December 5, 2014, 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

December 5, 2014

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**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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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, 2014. 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 2014 are as follows:

- Net position of governmental activities increased \$1,919,779 which represents a 2.6% increase from 2013.
- General revenues accounted for \$32,849,853 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$13,054,572 or 28% of total revenues of \$45,904,425.
- The District had \$43,984,646 in expenses related to governmental activities; \$13,054,572 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$32,849,853 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 *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" 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

**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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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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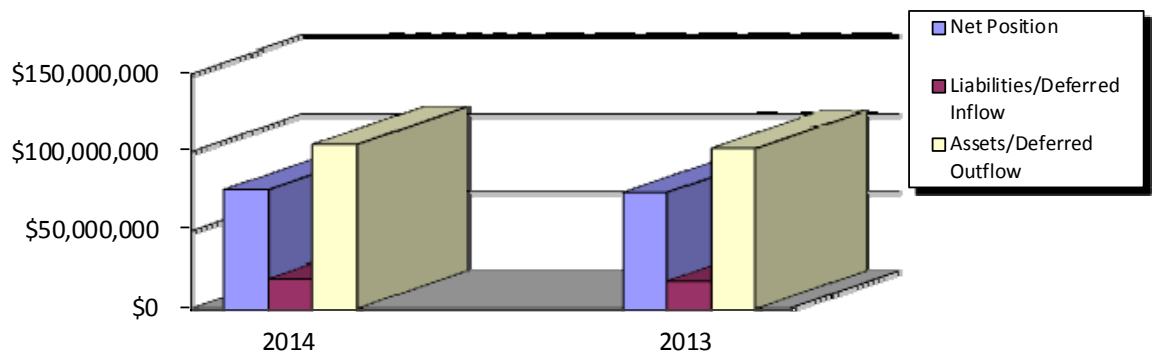
**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**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 2014 compared to 2013:

Table 1  
Net Position

|   | Governmental Activities |                     |
|---|-------------------------|---------------------|
|   | 2014                    | 2013 Restated       |
| <b>Assets:</b>                              |                         |                     |
| Current and Other Assets                    | \$32,006,563            | \$27,988,435        |
| Capital Assets                              | 72,815,143              | 74,290,257          |
| <b>Total Assets</b>                         | <b>104,821,706</b>      | <b>102,278,692</b>  |
| <b>Total Deferred Outflows of Resources</b> | <b>460,754</b>          | <b>94,814</b>       |
| <b>Liabilities:</b>                         |                         |                     |
| Other Liabilities                           | 5,040,050               | 4,349,547           |
| Long-Term Liabilities                       | 14,489,978              | 13,754,078          |
| <b>Total Liabilities</b>                    | <b>19,530,028</b>       | <b>18,103,625</b>   |
| <b>Total Deferred Inflows of Resources</b>  | <b>9,603,704</b>        | <b>9,946,118</b>    |
| <b>Net Position:</b>                        |                         |                     |
| Net Investment in Capital Assets            | 63,307,540              | 63,722,647          |
| Restricted                                  | 3,187,311               | 3,732,821           |
| Unrestricted                                | 9,653,877               | 6,868,295           |
| <b>Total Net Position</b>                   | <b>\$76,148,728</b>     | <b>\$74,323,763</b> |



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$76,148,728.

**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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At year-end, capital assets represented 69% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$63,307,540. 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, \$3,187,311 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 a new capital lease for the transportation garage.

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**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

Table 2  
Changes in Net Position

|   | Governmental Activities |                     |
|---|-------------------------|---------------------|
|   | 2014                    | 2013                |
| Revenues:   |                         |                     |
| Program Revenues  |                         |                     |
| Charges for Services  | \$4,547,967             | \$3,654,999         |
| Operating Grants, Contributions                                       | 8,506,605               | 7,646,596           |
| General Revenues:   |                         |                     |
| Property Taxes  | 10,859,322              | 9,628,143           |
| Grants and Entitlements   | 21,752,085              | 21,092,125          |
| Other   | 238,446                 | 330,841             |
| Total Revenues  | <u>45,904,425</u>       | <u>42,352,704</u>   |
| Program Expenses:   |                         |                     |
| Instruction   | 26,709,756              | 22,874,015          |
| Support Services:   |                         |                     |
| Pupil and Instructional Staff   | 4,252,154               | 5,116,349           |
| School Administrative, General<br>Administration, Fiscal and Business | 3,366,585               | 3,179,703           |
| Operations and Maintenance  | 3,800,960               | 4,065,302           |
| Pupil Transportation  | 1,548,614               | 1,588,683           |
| Central   | 368,125                 | 284,822             |
| Operation of Non-Instructional Services                               | 2,668,326               | 2,823,169           |
| Extracurricular Activities  | 720,047                 | 645,317             |
| Interest and Fiscal Charges   | 550,079                 | 622,291             |
| Total Program Expenses  | <u>43,984,646</u>       | <u>41,199,651</u>   |
| Change in Net Position  | 1,919,779               | 1,153,053           |
| Net Position - Beginning of Year, Restated                            | <u>74,228,949</u>       | <u>73,170,710</u>   |
| Net Position - End of Year  | <u>\$76,148,728</u>     | <u>\$74,323,763</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

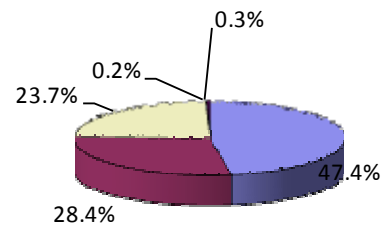
**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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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 24% of revenue for governmental activities for the District in fiscal year 2014.

| Revenue Sources      | 2014                | Percent<br>of Total |
|----------------------|---------------------|---------------------|
| General Grants       | \$21,752,085        | 47.39%              |
| Program Revenues     | 13,054,572          | 28.44%              |
| General Tax Revenues | 10,859,322          | 23.66%              |
| Investment Earnings  | 76,289              | 0.17%               |
| Other Revenues       | 162,157             | 0.34%               |
|                      | <u>\$45,904,425</u> | <u>100.00%</u>      |



Instruction comprises 60.7% of governmental program expenses. Support services expenses were 30.3% of governmental program expenses. All other expenses including interest expense were 9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

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

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

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**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**Table 3  
Governmental Activities**

|   | Total Cost of Services |                     | Net Cost of Services  |                       |
|---|------------------------|---------------------|-----------------------|-----------------------|
|   | 2014                   | 2013                | 2014                  | 2013                  |
| Instruction                             | \$26,709,756           | \$22,874,015        | (\$17,276,977)        | (\$15,184,766)        |
| Support Services:                       |                        |                     |                       |                       |
| Pupil and Instructional Staff           | 4,252,154              | 5,116,349           | (3,964,690)           | (4,851,924)           |
| School Administrative, General          |                        |                     |                       |                       |
| Administration, Fiscal and Business     | 3,366,585              | 3,179,703           | (3,365,792)           | (3,176,630)           |
| Operations and Maintenance              | 3,800,960              | 4,065,302           | (3,633,712)           | (3,898,104)           |
| Pupil Transportation                    | 1,548,614              | 1,588,683           | (1,268,892)           | (1,285,165)           |
| Central                                 | 368,125                | 284,822             | (349,409)             | (254,274)             |
| Operation of Non-Instructional Services | 2,668,326              | 2,823,169           | 40,850                | (136,148)             |
| Extracurricular Activities              | 720,047                | 645,317             | (561,373)             | (488,754)             |
| Interest and Fiscal Charges             | 550,079                | 622,291             | (550,079)             | (622,291)             |
| Total Expenses                          | <u>\$43,984,646</u>    | <u>\$41,199,651</u> | <u>(\$30,930,074)</u> | <u>(\$29,898,056)</u> |

**The District's Funds**

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$26,940,742 (84%) of the total \$32,143,917 governmental funds assets.

**General Fund:** Fund balance at June 30, 2014 was \$13,221,674, an increase in fund balance of \$4,192,662 from 2013. The primary reason for the increase in the fund balance was due to an increase in cash of \$4,918,363 from fiscal year 2013 to 2014.

**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 2014, 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 \$35,633,186, compared to final budget estimates of \$38,392,237. The difference between the original budget basis and final budget was \$2,759,051, which was mostly due to underestimates for taxes and intergovernmental revenue estimates.

The District's ending unobligated cash balance was \$14,187,648.

**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2014, the District had \$72,815,143 invested in land, construction in progress, buildings and improvements, equipment and vehicles. Table 4 shows fiscal 2014 balances compared to fiscal 2013:

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

|                            | Governmental Activities |                     |
|----------------------------|-------------------------|---------------------|
|                            | 2014                    | 2013                |
| Land                       | \$1,068,500             | \$1,068,500         |
| Construction In Progress   | 175,612                 | 0                   |
| Buildings and Improvements | 69,880,163              | 71,642,399          |
| Equipment and Vehicles     | 1,690,868               | 1,579,358           |
| Total Net Capital Assets   | <u>\$72,815,143</u>     | <u>\$74,290,257</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, 2014, the District had \$12,037,253 in bonds and capital leases outstanding, \$1,472,582 due within one year. Table 5 summarizes debt outstanding.

Table 5  
Outstanding Debt, at Year End

|  | Governmental Activities |                     |
|--|-------------------------|---------------------|
|  | 2014                    | 2013                |
| Bonds and Leases Payables:                       |                         |                     |
| Ohio School Facility Project Bond                | \$1,060,000             | \$2,060,000         |
| Refunding Bonds:                                 |                         |                     |
| Current Interest Bonds                           |                         |                     |
| Classroom Facilities                             | 7,745,000               | 7,855,000           |
| Capital Appreciation Bonds                       | 20,000                  | 20,000              |
| Interest Accretion on Capital Appreciation Bonds | 1,312,237               | 1,259,187           |
| Accrued Premium on Refunding Bonds               | 15,745                  | 17,245              |
| Deferred Amount on Refunding Bonds               | 0                       | (504,635)           |
| Capital Lease                                    | 952,000                 | 1,120,000           |
| Bus Garage Lease                                 | 932,271                 | 0                   |
| Total Bonds and Leases                           | <u>\$12,037,253</u>     | <u>\$11,826,797</u> |



**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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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 the sub-prime mortgage fallout. Foreclosures are at an all-time high. The condition of the housing sector means that property tax revenue will continue to be hurt by delinquent collections. New construction within the District is almost non-existent. The District's assessed property valuation has declined in the County Auditor's 2014 tri-annual appraisal from \$248,592,720 to \$229,460,600 resulting in an estimated loss of \$301,062 in tax revenue to the General Fund for FY15.

The District's native enrollment had been declining but enrollment has now recovered and climbed to 3,861 since the District opened enrollment to outside students beginning in FY12. There were 476 open enrollment students in FY14 and over 525 have enrolled for FY15. The District is funded on a per-student basis and is not on the "guarantee" for Foundation funding. Open enrollment brought in \$2,828,077 funding in addition to the regular State foundation funding of \$22,957,496 in FY14. The increasing enrollment will result in additional funding over prior years.

Real Estate Tax revenues for the District have increased in recent years with the passage of a new 5.9 mill continuing levy to fund operations at the March 2012 election. The new levy is projected to bring in \$1,341,375 annually beginning with calendar year 2013. For FY14, only half of the new levy (\$670,688) will be realized in that fiscal year. Total real estate taxes for the general fund are projected to be \$10,147,522 in FY15 according to the County Auditor's office.

The District has a General fund cash balance of \$14,647,554 at June 30, 2014 which is up from \$11,033,141 at the beginning of FY14.

The State of Ohio now has a new school funding formula beginning in FY14. The State of Ohio has experienced a recovery in tax collections and is increasing funding to Mad River Schools in the next biennium budget by 6.25% in FY14 and 10.5% in FY15.

Current Management operates under the principle that expenditures shall not exceed revenues, and to maintain at least three months' worth of expenses in reserve fund balance.

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.

**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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**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](mailto:jerry.ellender@madriverschools.org).

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Mad River Local School District, Ohio  
Statement of Net Position  
June 30, 2014

|   | Governmental<br>Activities |
|---|----------------------------|
| Assets:   |                            |
| Equity in Pooled Cash and Investments                   | \$19,569,994               |
| Equity in Pooled Cash and Investments with Fiscal Agent | 932,271                    |
| Receivables (Net):                                      |                            |
| Taxes   | 11,029,338                 |
| Accounts  | 2,573                      |
| Interest  | 9,336                      |
| Intergovernmental                                       | 448,000                    |
| Inventory   | 15,051                     |
| Nondepreciable Capital Assets                           | 1,244,112                  |
| Depreciable Capital Assets, Net                         | <u>71,571,031</u>          |
| <br>Total Assets  | <br><u>104,821,706</u>     |
| <br>Deferred Outflows of Resources:                     |                            |
| Deferred Charge on Refunding                            | <u>460,754</u>             |
| <br>Total Deferred Outflows of Resources                | <br><u>460,754</u>         |
| <br>Liabilities:  |                            |
| Accounts Payable  | 213,276                    |
| Accrued Wages and Benefits                              | 4,620,626                  |
| Contracts Payable                                       | 175,612                    |
| Accrued Interest Payable                                | 30,536                     |
| Long-Term Liabilities:                                  |                            |
| Due Within One Year                                     | 1,706,052                  |
| Due In More Than One Year                               | <u>12,783,926</u>          |
| <br>Total Liabilities                                   | <br><u>19,530,028</u>      |
| <br>Deferred Inflows of Resources:                      |                            |
| Property Taxes  | <u>9,603,704</u>           |
| <br>Total Deferred Inflows of Resources                 | <br><u>9,603,704</u>       |
| <br>Net Position:                                       |                            |
| Net Investment in Capital Assets                        | 63,307,540                 |
| Restricted for:   |                            |
| Debt Service  | 618,290                    |
| Capital Projects  | 1,644,193                  |
| Food Service  | 129,387                    |
| Classroom Facilities Maintenance                        | 376,507                    |
| District Managed Student Activities                     | 317,271                    |
| State Grants  | 3,229                      |
| Federal Grants  | 76,495                     |
| Other Purposes  | 21,939                     |
| Unrestricted  | <u>9,653,877</u>           |
| <br>Total Net Position                                  | <br><u>\$76,148,728</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, 2014

|   | Expenses            | Program Revenues                  |                                       | Net (Expense) Revenue<br>and Changes in Net Position |
|---|---------------------|-----------------------------------|---------------------------------------|--|
|   |                     | Charges for<br>Services and Sales | Operating Grants<br>and Contributions | Governmental<br>Activities                           |
| <b>Governmental Activities:</b>         |                     |                                   |                                       |  |
| <b>Instruction:</b>                     |                     |                                   |                                       |  |
| Regular                                 | \$16,089,955        | \$3,364,923                       | \$1,122,111                           | (\$11,602,921)                                       |
| Special                                 | 6,790,623           | 183,405                           | 3,742,866                             | (2,864,352)  |
| Vocational                              | 2,253,928           | 0                                 | 1,019,474                             | (1,234,454)  |
| Adult                                   | 43                  | 0                                 | 0                                     | (43)   |
| Other                                   | 1,575,207           | 0                                 | 0                                     | (1,575,207)  |
| <b>Support Services:</b>                |                     |                                   |                                       |  |
| Pupil                                   | 3,016,975           | 0                                 | 69,046                                | (2,947,929)  |
| Instructional Staff                     | 1,235,179           | 0                                 | 218,418                               | (1,016,761)  |
| General Administration                  | 94,236              | 0                                 | 0                                     | (94,236)   |
| School Administration                   | 2,649,081           | 0                                 | 0                                     | (2,649,081)  |
| Fiscal                                  | 623,068             | 0                                 | 793                                   | (622,275)  |
| Business                                | 200                 | 0                                 | 0                                     | (200)  |
| Operations and Maintenance              | 3,800,960           | 15,053                            | 152,195                               | (3,633,712)  |
| Pupil Transportation                    | 1,548,614           | 155,890                           | 123,832                               | (1,268,892)  |
| Central                                 | 368,125             | 0                                 | 18,716                                | (349,409)  |
| Operation of Non-Instructional Services | 2,668,326           | 670,022                           | 2,039,154                             | 40,850   |
| Extracurricular Activities              | 720,047             | 158,674                           | 0                                     | (561,373)  |
| Interest and Fiscal Charges             | 550,079             | 0                                 | 0                                     | (550,079)  |
| <b>Totals</b>                           | <b>\$43,984,646</b> | <b>\$4,547,967</b>                | <b>\$8,506,605</b>                    | <b>(30,930,074)</b>                                  |

**General Revenues:**

Property Taxes Levied for:

|   |            |
|---|------------|
| General Purposes                        | 9,561,395  |
| Special Revenue Purposes                | 96,509     |
| Debt Service Purposes                   | 1,201,418  |
| Grants and Entitlements, Not Restricted | 21,752,085 |
| Unrestricted Contributions              | 34,521     |
| Investment Earnings                     | 76,289     |
| Other Revenues                          | 127,636    |

Total General Revenues 32,849,853

Change in Net Position 1,919,779

Net Position - Beginning of Year, Restated 74,228,949

Net Position - End of Year \$76,148,728

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio  
 Balance Sheet  
 Governmental Funds  
 June 30, 2014

|  | General                    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------------|--------------------------------|--------------------------------|
| <b>Assets:</b>   |                            |                                |                                |
| Equity in Pooled Cash and Investments                        | \$16,116,225               | \$3,453,769                    | \$19,569,994                   |
| Equity in Pooled Cash and Investments with Fiscal Agent      | 932,271                    | 0                              | 932,271                        |
| <b>Receivables (Net):</b>                                    |                            |                                |                                |
| Taxes  | 9,706,675                  | 1,322,663                      | 11,029,338                     |
| Accounts   | 208                        | 2,365                          | 2,573                          |
| Interest   | 9,336                      | 0                              | 9,336                          |
| Intergovernmental  | 53,039                     | 394,961                        | 448,000                        |
| Interfund  | 122,988                    | 14,366                         | 137,354                        |
| Inventory  | 0                          | 15,051                         | 15,051                         |
| <b>Total Assets</b>  | <b><u>26,940,742</u></b>   | <b><u>5,203,175</u></b>        | <b><u>32,143,917</u></b>       |
| <b>Liabilities:</b>  |                            |                                |                                |
| Accounts Payable   | 155,790                    | 57,486                         | 213,276                        |
| Accrued Wages and Benefits                                   | 4,001,947                  | 618,679                        | 4,620,626                      |
| Compensated Absences   | 37,038                     | 4,118                          | 41,156                         |
| Contracts Payable  | 175,612                    | 0                              | 175,612                        |
| Interfund Payable  | 0                          | 137,354                        | 137,354                        |
| <b>Total Liabilities</b>                                     | <b><u>4,370,387</u></b>    | <b><u>817,637</u></b>          | <b><u>5,188,024</u></b>        |
| <b>Deferred Inflows of Resources:</b>                        |                            |                                |                                |
| Property Taxes   | 8,456,447                  | 1,147,257                      | 9,603,704                      |
| Unavailable Revenue  | 892,234                    | 260,577                        | 1,152,811                      |
| <b>Total Deferred Inflows of Resources</b>                   | <b><u>9,348,681</u></b>    | <b><u>1,407,834</u></b>        | <b><u>10,756,515</u></b>       |
| <b>Fund Balances:</b>  |                            |                                |                                |
| Restricted   | 0                          | 3,182,086                      | 3,182,086                      |
| Committed  | 397,161                    | 0                              | 397,161                        |
| Assigned   | 482,049                    | 0                              | 482,049                        |
| Unassigned   | 12,342,464                 | (204,382)                      | 12,138,082                     |
| <b>Total Fund Balances</b>                                   | <b><u>13,221,674</u></b>   | <b><u>2,977,704</u></b>        | <b><u>16,199,378</u></b>       |
| <b>Total Liabilities, Deferred Inflows and Fund Balances</b> | <b><u>\$26,940,742</u></b> | <b><u>\$5,203,175</u></b>      | <b><u>\$32,143,917</u></b>     |

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, 2014

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|                                 |  |              |
|---------------------------------|--|--------------|
| Total Governmental Fund Balance |  | \$16,199,378 |
|---------------------------------|--|--------------|

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 |  | 72,815,143 |
|--|--|------------|

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

|                           |                |           |
|---------------------------|----------------|-----------|
| Delinquent Property Taxes | 1,013,329      |           |
| Intergovernmental         | <u>139,482</u> |           |
|                           |                | 1,152,811 |

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.

(30,536)

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 |  | (2,411,569) |
|----------------------|--|-------------|

Deferred outflow of resources associated with long-term liabilities are not reported in the funds.

460,754

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

(12,037,253)

Net Position of Governmental Activities

\$76,148,728

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, 2014

|  | General           | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|--------------------------------|--------------------------------|
| Revenues:                                    |                   |                                |                                |
| Property and Other Taxes                     | \$9,403,006       | \$1,277,043                    | \$10,680,049                   |
| Tuition and Fees                             | 3,595,361         | 0                              | 3,595,361                      |
| Investment Earnings                          | 76,289            | 0                              | 76,289                         |
| Intergovernmental                            | 25,711,025        | 4,637,314                      | 30,348,339                     |
| Extracurricular Activities                   | 123,500           | 152,681                        | 276,181                        |
| Charges for Services                         | 0                 | 670,022                        | 670,022                        |
| Other Revenues                               | 134,345           | 31,049                         | 165,394                        |
| <b>Total Revenues</b>                        | <b>39,043,526</b> | <b>6,768,109</b>               | <b>45,811,635</b>              |
| Expenditures:                                |                   |                                |                                |
| Current:                                     |                   |                                |                                |
| Instruction:                                 |                   |                                |                                |
| Regular                                      | 14,796,094        | 149,640                        | 14,945,734                     |
| Special                                      | 4,549,063         | 1,878,832                      | 6,427,895                      |
| Vocational                                   | 1,814,807         | 70,713                         | 1,885,520                      |
| Adult  | 43                | 0                              | 43                             |
| Other  | 1,564,188         | 0                              | 1,564,188                      |
| Support Services:                            |                   |                                |                                |
| Pupil  | 2,869,374         | 0                              | 2,869,374                      |
| Instructional Staff                          | 894,281           | 373,277                        | 1,267,558                      |
| General Administration                       | 94,236            | 0                              | 94,236                         |
| School Administration                        | 2,559,885         | 353                            | 2,560,238                      |
| Fiscal                                       | 598,844           | 19,974                         | 618,818                        |
| Business                                     | 200               | 0                              | 200                            |
| Operations and Maintenance                   | 3,336,585         | 397,244                        | 3,733,829                      |
| Pupil Transportation                         | 1,464,743         | 3,998                          | 1,468,741                      |
| Central                                      | 339,622           | 19,906                         | 359,528                        |
| Operation of Non-Instructional Services      | 4,771             | 2,709,593                      | 2,714,364                      |
| Extracurricular Activities                   | 506,062           | 212,730                        | 718,792                        |
| Capital Outlay                               | 177,852           | 0                              | 177,852                        |
| Debt Service:                                |                   |                                |                                |
| Principal Retirement                         | 168,000           | 1,110,000                      | 1,278,000                      |
| Interest and Fiscal Charges                  | 49,737            | 409,875                        | 459,612                        |
| <b>Total Expenditures</b>                    | <b>35,788,387</b> | <b>7,356,135</b>               | <b>43,144,522</b>              |
| Excess of Revenues Over (Under) Expenditures | 3,255,139         | (588,026)                      | 2,667,113                      |
| Other Financing Sources (Uses):              |                   |                                |                                |
| Proceeds of Capital Leases                   | 932,271           | 0                              | 932,271                        |
| Proceeds from Sale of Capital Assets         | 5,252             | 10,254                         | 15,506                         |
| <b>Total Other Financing Sources (Uses)</b>  | <b>937,523</b>    | <b>10,254</b>                  | <b>947,777</b>                 |
| Net Change in Fund Balance                   | 4,192,662         | (577,772)                      | 3,614,890                      |
| Fund Balance - Beginning of Year             | 9,029,012         | 3,555,476                      | 12,584,488                     |
| Fund Balance - End of Year                   | \$13,221,674      | \$2,977,704                    | \$16,199,378                   |

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, 2014

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Net Change in Fund Balance - Total Governmental Funds \$3,614,890

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 | 621,686            |             |
| Depreciation Expense                           | <u>(2,084,461)</u> | (1,462,775) |

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. (12,339)

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

|                           |                 |        |
|---------------------------|-----------------|--------|
| Delinquent Property Taxes | 179,273         |        |
| Intergovernmental         | <u>(89,650)</u> | 89,623 |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,278,000

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 4,964

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                         | (564,882)       |           |
| Amortization of Bond Premium                 | 1,500           |           |
| Amortization of Deferred Charge on Refunding | (43,881)        |           |
| Bond Accretion                               | <u>(53,050)</u> | (660,313) |

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (932,271)

Change in Net Position of Governmental Activities \$1,919,779

See accompanying notes to the basic financial statements.



Mad River Local School District, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2014

---

|                                       | Private Purpose<br>Trust | Agency            |
|---------------------------------------|--------------------------|-------------------|
|                                       | <u>          </u>        | <u>          </u> |
| Assets:                               |                          |                   |
| Equity in Pooled Cash and Investments | \$5,733                  | \$71,204          |
| Total Assets                          | <u>5,733</u>             | <u>71,204</u>     |
| Liabilities:                          |                          |                   |
| Accounts Payable                      | 0                        | 1,122             |
| Other Liabilities                     | <u>0</u>                 | <u>70,082</u>     |
| Total Liabilities                     | <u>0</u>                 | <u>\$71,204</u>   |
| Net Position:                         |                          |                   |
| Held in Trust                         | <u>5,733</u>             |                   |
| Total Net Position                    | <u><u>\$5,733</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, 2014

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|                                  | Private Purpose<br>Trust |
|----------------------------------|--------------------------|
| Additions:                       |                          |
| Donations                        | \$1,370                  |
| Other                            | <u>1,013</u>             |
| Total Additions                  | <u>2,383</u>             |
| Deductions:                      |                          |
| Other                            | <u>1,000</u>             |
| Total Deductions                 | <u>1,000</u>             |
| Change in Net Position           | 1,383                    |
| Net Position - Beginning of Year | <u>4,350</u>             |
| Net Position - End of Year       | <u><u>\$5,733</u></u>    |

See accompanying notes to the basic financial statements.

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**Note 1 – Description of the District**

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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**

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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, 2014**

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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.

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**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**Fiduciary Funds**

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

**Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

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 property taxes, grants and other taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 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 2014. 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, 2014.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2014 amounted to \$76,289 in the general fund and \$0 in the other governmental funds.

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**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 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           |

**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 |

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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|                                 |   |   |   |
|---------------------------------|---|---|---|
| Maximum Accumulation            | Not Applicable  | Not Applicable  | Not Applicable  |
| Vested                          | Not Applicable  | As Earned   | As Earned   |
| Termination Entitlement         | Not Applicable  | Used prior to termination                             | Used prior to termination                             |
| <u>Sick Leave</u><br>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 represent 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 \$3,187,311 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.



**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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

**Fund Balance**

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

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

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

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

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

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

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

**Estimates**

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

**Note 3 – Equity In Pooled Cash And Investments**

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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."

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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

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

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

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

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

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.

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2014, \$11,102,770 of the District's bank balance of \$11,357,990 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, 2014, the District had the following investments:

|  | <u>Fair Value</u>  | <u>Weighted Average<br/>Maturity (Years)</u> |
|--|--------------------|--|
| Money Market Funds                     | \$6,567            | 0.00   |
| STAROhio                               | 24,420             | 0.14   |
| Federal Home Loan Bank                 | 1,343,011          | 2.19   |
| Federal Home Loan Mortgage Corporation | 1,316,615          | 2.39   |
| Federal National Mortgage Association  | 4,265,963          | 2.57   |
| Commercial Paper                       | 799,072            | 0.48   |
| U.S. Treasury Note                     | <u>800,687</u>     | 1.34   |
|  | <u>\$8,556,335</u> |  |
| Portfolio Weighted Average Maturity    |                    | 2.16   |

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

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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and Aaa by Moody's Investors Service. Commercial Paper was rated A-1+ by Standards and Poor's and P-1 by Moody's Investors Service. STAROhio was rated AAAM by Standards & Poor's, while the Money Market Fund was not rated.

Concentration of Credit Risk – The District's investment policy allows investments in U.S. Agencies or Instrumentalities as well as other investments permitted by Ohio Law. The District has invested less than 1% of the District's investments in Money Market Funds, less than 1% in STAR Ohio, 16% in Federal Home Loan Bank, 15% in Federal Home Loan Mortgage Corporation, 50% in Federal National Mortgage Association, 9% in Commercial Paper 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**

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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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013 on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2015 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, 2014 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, 2014. 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

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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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, 2014, was \$357,994 for General Fund and \$54,311 for Other Governmental Funds.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2014 taxes were collected are:

|   | 2014 First Half<br>Amount | 2013 Second Half<br>Amount |
|---|---------------------------|----------------------------|
| Agricultural/Residential<br>and Other Real Estate | \$237,370,780             | \$238,984,220              |
| Public Utility Personal                           | 11,011,080                | 9,975,550                  |
| Total   | <u>\$248,381,860</u>      | <u>\$248,959,770</u>       |

**Note 5 – Receivables**

---

Receivables at June 30, 2014, 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, 2014, was as follows:

|   | Beginning<br>Balance | Additions            | Deletions       | Ending<br>Balance   |
|---|----------------------|----------------------|-----------------|---------------------|
| <b>Governmental Activities</b>                |                      |                      |                 |                     |
| <b>Capital Assets, not being depreciated:</b> |                      |                      |                 |                     |
| Land  | \$1,068,500          | \$0                  | \$0             | \$1,068,500         |
| Construction in Progress                      | 0                    | 175,612              | 0               | 175,612             |
| <b>Capital Assets, being depreciated:</b>     |                      |                      |                 |                     |
| Buildings and Improvements                    | 87,073,957           | 10,950               | 0               | 87,084,907          |
| Equipment and Vehicles                        | 5,166,231            | 435,124              | 23,392          | 5,577,963           |
| Totals at Historical Cost                     | <u>93,308,688</u>    | <u>621,686</u>       | <u>23,392</u>   | <u>93,906,982</u>   |
| Less Accumulated Depreciation:                |                      |                      |                 |                     |
| Buildings and Improvements                    | 15,431,558           | 1,773,186            | 0               | 17,204,744          |
| Equipment and Vehicles                        | 3,586,873            | 311,275              | 11,053          | 3,887,095           |
| Total Accumulated Depreciation                | <u>19,018,431</u>    | <u>2,084,461</u>     | <u>11,053</u>   | <u>21,091,839</u>   |
| Governmental Activities Capital Assets, Net   | <u>\$74,290,257</u>  | <u>(\$1,462,775)</u> | <u>\$12,339</u> | <u>\$72,815,143</u> |

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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Depreciation expense was charged to governmental functions as follows:

|   |                    |
|---|--------------------|
| Instruction:                            |                    |
| Regular                                 | \$990,884          |
| Special                                 | 230,888            |
| Vocational                              | 409,404            |
| Other Instruction                       | 11,019             |
| Support Services:                       |                    |
| Pupil                                   | 96,240             |
| School Administration                   | 70,927             |
| Operations and Maintenance              | 149,017            |
| Pupil Transportation                    | 70,152             |
| Operation of Non-Instructional Services | 55,093             |
| Extracurricular Activities              | 837                |
| Total Depreciation Expense              | <u>\$2,084,461</u> |

**Note 7 - Long-Term Liabilities**

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|  | Interest<br>Rate | Restated<br>Beginning<br>Balance | Issued             | Retired            | Ending<br>Balance   | Due In<br>One Year |
|--|------------------|----------------------------------|--------------------|--------------------|---------------------|--------------------|
| <b>Governmental Activities:</b>                        |                  |                                  |                    |                    |                     |                    |
| Bonds:   |                  |                                  |                    |                    |                     |                    |
| 2002 School Facilities Project                         | 5.15%            | \$2,060,000                      | \$0                | \$1,000,000        | \$1,060,000         | \$1,060,000        |
| 2006 Refunding Classroom Facilities - Current Interest | 3.75-4.25%       | 7,855,000                        | 0                  | 110,000            | 7,745,000           | 115,000            |
| 2006 Refunding Classroom Facilities - Capital          |                  |                                  |                    |                    |                     |                    |
| Appreciation Bonds                                     | 4.08-4.13%       | 20,000                           | 0                  | 0                  | 20,000              | 0                  |
| Interest Accretion on Capital Appreciation Bonds       |                  | 1,259,187                        | 53,050             | 0                  | 1,312,237           | 0                  |
| Premium on 2006 Refunding Bonds                        |                  | 17,245                           | 0                  | 1,500              | 15,745              | 0                  |
| Total Bonds  |                  | <u>11,211,432</u>                | <u>53,050</u>      | <u>1,111,500</u>   | <u>10,152,982</u>   | <u>1,175,000</u>   |
| OASBO Capital Lease                                    | 4.47%            | 1,120,000                        | 0                  | 168,000            | 952,000             | 175,000            |
| Bus Garage Lease                                       | 3.00%            | 0                                | 932,271            | 0                  | 932,271             | 122,582            |
| Total Long Term Debt                                   |                  | <u>12,331,432</u>                | <u>985,321</u>     | <u>1,279,500</u>   | <u>12,037,253</u>   | <u>1,472,582</u>   |
| Compensated Absences                                   |                  | <u>1,927,281</u>                 | <u>794,159</u>     | <u>268,715</u>     | <u>2,452,725</u>    | <u>233,470</u>     |
| Total Governmental Activities                          |                  | <u>\$14,258,713</u>              | <u>\$1,779,480</u> | <u>\$1,548,215</u> | <u>\$14,489,978</u> | <u>\$1,706,052</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**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

| Fiscal Year<br>Ending June 30 | General Obligation Bonds |                    |                     | Capital Appreciation Bonds |                    |                    |
|-------------------------------|--------------------------|--------------------|---------------------|----------------------------|--------------------|--------------------|
|                               | Principal                | Interest           | Total               | Principal                  | Interest           | Total              |
| 2015                          | \$1,175,000              | \$346,288          | \$1,521,288         | \$0                        | \$0                | \$0                |
| 2016                          | 0                        | 313,513            | 313,513             | 10,000                     | 710,000            | 720,000            |
| 2017                          | 0                        | 313,513            | 313,513             | 10,000                     | 715,000            | 725,000            |
| 2018                          | 730,000                  | 298,913            | 1,028,913           | 0                          | 0                  | 0                  |
| 2019                          | 820,000                  | 267,913            | 1,087,913           | 0                          | 0                  | 0                  |
| 2020-2024                     | 4,880,000                | 788,309            | 5,668,309           | 0                          | 0                  | 0                  |
| 2025                          | 1,200,000                | 25,500             | 1,225,500           | 0                          | 0                  | 0                  |
| Total                         | <u>\$8,805,000</u>       | <u>\$2,353,949</u> | <u>\$11,158,949</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

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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the following June 30. The Board shall pay the \$1,000 Retirement Incentive in the same payroll period as the severance pay.

The liability for fiscal year 2014 retirement incentives (bonus) is \$10,000.

**Note 9 – Prior Year Defeasance of Debt**

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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, 2014 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**

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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 \$168,000 in principal payments for fiscal year 2014. The principal amount owed on the lease at year end is \$952,000.

In the current year the District entered into a capital lease for a transportation garage. The original amount of \$932,271 will be capitalized as a building and improvement addition in 2015. The District will begin making principal payments in fiscal year 2015. The principal amount owed on the leases at year end is \$932,271.

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, 2014. The capital lease will be paid out of the general fund.

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**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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| Fiscal Year<br>Ending June 30   |                           |
|---|---------------------------|
| 2015  | \$365,764                 |
| 2016  | 365,017                   |
| 2017  | 364,959                   |
| 2018  | 364,548                   |
| 2019  | 364,783                   |
| 2020-2021   | <u>296,929</u>            |
| Total Minimum Lease Payments  | \$2,122,000               |
| Amount Representing Interest and<br>Additional program cost component | <u>(237,729)</u>          |
| Present Value of Minimum Lease Payments                               | <u><u>\$1,884,271</u></u> |

**Note 11 - Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$885,168, \$875,592, and \$982,008, respectively; contributions equaled the required contributions for each year.

**State Teachers Retirement System of Ohio**

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options

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

DB Plan Benefits

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

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance. Contributions to the DC and Combined Plan for fiscal year 2014 were \$199,000 made by the District and \$156,357 made by the plan members.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

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

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

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

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers.

The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013 until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11% of their annual covered salary. The school was required to contribute 14%; 13% was the portion used to fund pension obligations. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$2,421,996, \$2,360,520, and \$2,786,532, respectively; 82% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**Note 12- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. District contributions for the years ended June 30, 2014, 2013 and 2012 were \$48,052, \$46,281, and \$52,608, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$87,647, \$99,727, and \$38,579, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**State Teachers Retirement System of Ohio**

Plan Description

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

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$173,000, \$168,609, and \$199,038, 82% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**Note 13 – Contingent Liabilities**

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**Litigation**

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

**Note 14 – Risk Management**

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The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year, the District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% co-insured with \$1,000 deductible.

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**

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

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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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.

|   | <u>Capital<br/>Acquisition</u> |
|---|--------------------------------|
| Set Aside Reserve Balance as of June 30, 2013 | \$0                            |
| Current Year Set Aside Requirements           | 625,595                        |
| Qualified Disbursements                       | <u>(703,940)</u>               |
| Set Aside Reserve Balance as of June 30, 2014 | <u>(78,345)</u>                |
| Restricted Cash as of June 30, 2014           | <u>\$0</u>                     |
| Carried Forward as of June 30, 2014           | (\$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**

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Interfund transactions at June 30, 2014, consisted of the following interfund receivables and interfund payables:

|                          | Interfund         |                  |
|--------------------------|-------------------|------------------|
|                          | <u>Receivable</u> | <u>Payable</u>   |
| General Fund             | \$122,988         | \$0              |
| Other Governmental Funds | <u>14,366</u>     | <u>137,354</u>   |
| Total All Funds          | <u>\$137,354</u>  | <u>\$137,354</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**

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

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**Mad River Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2014**

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| <b>Fund</b>                | <b><u>Amounts</u></b> |
|----------------------------|-----------------------|
| Special Revenue Funds:     |                       |
| Special Education          | \$83,270              |
| Miscellaneous State Grants | 7,193                 |
| Race to the Top            | 417                   |
| Vocational Education       | 2,972                 |
| Title I                    | 100,897               |
| Improving Teacher Quality  | 8,635                 |
| Title III                  | 998                   |

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**

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**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 \$82,870 to MDECA in fiscal year 2014. 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. 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 2014.

**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 \$836,163 to MCESC in fiscal year 2014. Financial information can be obtained from Joni Shoemaker, who serves as the Treasurer, at 200 South Keowee Street, Dayton, Ohio 45462.

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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

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**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**

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

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**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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| Fund Balances                    | General             | Other<br>Governmental<br>Funds | Total               |
|----------------------------------|---------------------|--------------------------------|---------------------|
| <b>Restricted for:</b>           |                     |                                |                     |
| Other Grants                     | 0                   | 21,939                         | 21,939              |
| Student Activity                 | 0                   | 317,271                        | 317,271             |
| Auxiliary Services               | 0                   | 21,088                         | 21,088              |
| Career Development               | 0                   | 3,229                          | 3,229               |
| Title VI                         | 0                   | 1,115                          | 1,115               |
| Race to the Top                  | 0                   | 0                              | 0                   |
| Vocational Education             | 0                   | 0                              | 0                   |
| Title I                          | 0                   | 0                              | 0                   |
| Improving Teacher Quality        | 0                   | 0                              | 0                   |
| IDEA Preschool                   | 0                   | 0                              | 0                   |
| Education Jobs                   | 0                   | 0                              | 0                   |
| Miscellaneous Federal Grants     | 0                   | 0                              | 0                   |
| Food Service                     | 0                   | 269,013                        | 269,013             |
| Classroom Facilities Maintenance | 0                   | 367,476                        | 367,476             |
| Debt Service                     | 0                   | 536,762                        | 536,762             |
| OSFC Local Initiative            | 0                   | 639,672                        | 639,672             |
| Capital Outlay                   | 0                   | 1,004,521                      | 1,004,521           |
| <b>Total Restricted</b>          | <b>0</b>            | <b>3,182,086</b>               | <b>3,182,086</b>    |
| <b>Committed to:</b>             |                     |                                |                     |
| Termination Benefits             | 397,161             | 0                              | 397,161             |
| <b>Total Committed</b>           | <b>397,161</b>      | <b>0</b>                       | <b>397,161</b>      |
| <b>Assigned to:</b>              |                     |                                |                     |
| Encumbrances                     | 353,748             | 0                              | 353,748             |
| Public Schools                   | 128,301             | 0                              | 128,301             |
| <b>Total Assigned</b>            | <b>482,049</b>      | <b>0</b>                       | <b>482,049</b>      |
| <b>Unassigned (Deficit)</b>      | <b>12,342,464</b>   | <b>(204,382)</b>               | <b>12,138,082</b>   |
| <b>Total Fund Balance</b>        | <b>\$13,221,674</b> | <b>\$2,977,704</b>             | <b>\$16,199,378</b> |

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**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2014**

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**Note 21 – Change in Accounting Principles**

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The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement Number 67, *Financial Reporting from Pension Plans* – an amendment of GASB Statement Number 25. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District. GASB Statement Number 67 replaces the requirements of Statements Number 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Deferred Contribution Plans*, and Number 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The provisions of the Statement are effective for financial statements for periods beginning after June 15, 2013, and have been implemented by the District. The implementation of GASB 67 had no effect on the financial statements.

**Note 22 – Prior Period Adjustment**

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In prior periods, the District had reported assets related to bond issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65 requires a restatement of prior period’s net position as follows:

|                                       | Governmental<br>Activities |
|---------------------------------------|----------------------------|
|                                       | <hr/>                      |
| Net Position - June 30, 2013          | \$74,323,763               |
| Prior Period Adjustments:             |                            |
| Bond Issuance Costs                   | (94,814)                   |
|                                       | <hr/>                      |
| Restated Net Position - June 30, 2013 | <u>\$74,228,949</u>        |

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Mad River Local School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2014

|   | General Fund        |                     |                     |                            |
|---|---------------------|---------------------|---------------------|----------------------------|
|   | Original Budget     | Final Budget        | Actual              | Variance from Final Budget |
| <b>Revenues:</b>  |                     |                     |                     |                            |
| Taxes   | \$8,742,949         | \$9,419,909         | \$9,419,909         | \$0                        |
| Tuition and Fees  | 2,946,234           | 3,174,359           | 3,174,359           | 0                          |
| Investment Earnings   | 48,068              | 51,790              | 51,790              | 0                          |
| Intergovernmental   | 23,814,079          | 25,657,985          | 25,657,986          | 1                          |
| Other Revenues  | 81,856              | 88,194              | 88,194              | 0                          |
| <b>Total Revenues</b>   | <b>35,633,186</b>   | <b>38,392,237</b>   | <b>38,392,238</b>   | <b>1</b>                   |
| <b>Expenditures:</b>  |                     |                     |                     |                            |
| <b>Current:</b>   |                     |                     |                     |                            |
| <b>Instruction:</b>   |                     |                     |                     |                            |
| Regular   | 14,659,404          | 14,901,483          | 14,295,394          | 606,089                    |
| Special   | 4,460,193           | 4,533,846           | 4,349,441           | 184,405                    |
| Vocational  | 1,863,452           | 1,894,224           | 1,817,180           | 77,044                     |
| Student Intervention Services   | 1,459,721           | 1,483,826           | 1,423,474           | 60,352                     |
| <b>Support Services:</b>  |                     |                     |                     |                            |
| Pupil   | 2,893,274           | 2,941,053           | 2,821,431           | 119,622                    |
| Instructional Staff   | 1,073,334           | 1,091,059           | 1,046,682           | 44,377                     |
| General Administration  | 108,060             | 109,845             | 105,377             | 4,468                      |
| School Administration   | 2,517,518           | 2,559,091           | 2,455,005           | 104,086                    |
| Fiscal  | 617,449             | 627,645             | 602,117             | 25,528                     |
| Operations and Maintenance  | 3,441,614           | 3,498,448           | 3,356,155           | 142,293                    |
| Pupil Transportation  | 1,699,919           | 1,727,991           | 1,657,708           | 70,283                     |
| Central   | 347,360             | 353,097             | 338,735             | 14,362                     |
| Operation of Non-Instructional Services   | 96                  | 98                  | 94                  | 4                          |
| Extracurricular Activities  | 517,051             | 525,589             | 504,212             | 21,377                     |
| Capital Outlay  | 225,578             | 229,303             | 219,977             | 9,326                      |
| <b>Total Expenditures</b>   | <b>35,884,023</b>   | <b>36,476,598</b>   | <b>34,992,982</b>   | <b>1,483,616</b>           |
| <b>Excess of Revenues Over (Under) Expenditures</b>                                     | <b>(250,837)</b>    | <b>1,915,639</b>    | <b>3,399,256</b>    | <b>1,483,617</b>           |
| <b>Other financing sources (uses):</b>  |                     |                     |                     |                            |
| Proceeds from Sale of Capital Assets  | 4,875               | 5,252               | 5,252               | 0                          |
| Transfers (Out)   | (256,366)           | (260,599)           | (250,000)           | 10,599                     |
| <b>Total Other Financing Sources (Uses)</b>   | <b>(251,491)</b>    | <b>(255,347)</b>    | <b>(244,748)</b>    | <b>10,599</b>              |
| <b>Net Change in Fund Balance</b>   | <b>(502,328)</b>    | <b>1,660,292</b>    | <b>3,154,508</b>    | <b>1,494,216</b>           |
| <b>Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)</b> | <b>11,033,140</b>   | <b>11,033,140</b>   | <b>11,033,140</b>   | <b>0</b>                   |
| <b>Fund Balance - End of Year</b>   | <b>\$10,530,812</b> | <b>\$12,693,432</b> | <b>\$14,187,648</b> | <b>\$1,494,216</b>         |

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, 2014**

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**Note 1 – Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2014.

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.

**Mad River Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2014**

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

|                          | <u>General</u>            |
|--------------------------|---------------------------|
| GAAP Basis               | \$4,192,662               |
| Revenue Accruals         | (651,015)                 |
| Expenditure Accruals     | 1,292,459                 |
| Issuance of Debt         | (932,271)                 |
| Transfers Out            | (250,000)                 |
| Encumbrances             | (459,895)                 |
| Funds Budgeted Elsewhere | <u>(37,432)</u>           |
| Budget Basis             | <u><u>\$3,154,508</u></u> |

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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, 2014**

| <b>Federal Grantor/<br/>Pass Through Grantor<br/>Program Title</b>                      | <b>Federal<br/>CFDA<br/>Number</b> | <b>Receipts</b>    | <b>Non-Cash<br/>Receipts</b> | <b>Expenditures</b> | <b>Non-Cash<br/>Expenditures</b> |
|---|------------------------------------|--------------------|------------------------------|---------------------|----------------------------------|
| <b>U.S. Department of Agriculture</b>   |                                    |                    |                              |                     |                                  |
| <i>Passed through Ohio Department of Education</i>                                      |                                    |                    |                              |                     |                                  |
| Child Nutrition Cluster:  |                                    |                    |                              |                     |                                  |
| School Breakfast Program  | 10.553                             | \$224,635          |                              | \$224,635           |                                  |
| National School Lunch Program   | 10.555                             | 1,090,127          | \$74,161                     | 1,090,127           | \$74,161                         |
| Summer Food Service Program for Children  | 10.559                             | 9,548              |                              | 9,548               |                                  |
| Total Child Nutrition Cluster   |                                    | <u>1,324,310</u>   | <u>74,161</u>                | <u>1,324,310</u>    | <u>74,161</u>                    |
| Total U.S. Department of Agriculture  |                                    | 1,324,310          | 74,161                       | 1,324,310           | 74,161                           |
| <b>U.S. Department of Education</b>   |                                    |                    |                              |                     |                                  |
| <i>Passed through Ohio Department of Education</i>                                      |                                    |                    |                              |                     |                                  |
| Title I Grants to Local Educational Agencies  | 84.010                             | 1,191,712          |                              | 1,150,565           |                                  |
| Special Education Cluster:  |                                    |                    |                              |                     |                                  |
| Special Education - Grants to States  | 84.027                             | 833,560            |                              | 840,447             |                                  |
| Special Education - Preschool Grants  | 84.173                             | 19,205             |                              | 19,205              |                                  |
| Total Special Education Cluster   |                                    | <u>852,765</u>     |                              | <u>859,652</u>      |                                  |
| Career and Technical Education - Basic Grants to States                                 | 84.048                             | 73,323             |                              | 69,531              |                                  |
| English Language Acquisition State Grants   | 84.365                             | 13,234             |                              | 15,623              |                                  |
| Improving Teacher Quality State Grants  | 84.367                             | 128,493            |                              | 115,008             |                                  |
| ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act | 84.395                             | 202,693            |                              | 202,006             |                                  |
| <i>Direct Aid</i>   |                                    |                    |                              |                     |                                  |
| Impact Aid  | 84.041                             | <u>599,055</u>     |                              | <u>599,055</u>      |                                  |
| Total U.S. Department of Education  |                                    | <u>3,061,275</u>   |                              | <u>3,011,440</u>    |                                  |
| Total Federal Financial Assistance  |                                    | <u>\$4,385,585</u> | <u>\$74,161</u>              | <u>\$4,335,750</u>  | <u>\$74,161</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, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports 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, each major fund, and the aggregate remaining fund information of Mad River Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2014, wherein we noted the District adopted provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we 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

December 5, 2014



# 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, 2014. 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, 2014.

***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

December 5, 2014

**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |  |  |
|---------------------|--|--|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion  | Unmodified   |
| <i>(d)(1)(ii)</i>   | Were there any material control weaknesses reported at the financial statement level (GAGAS)?                  | No   |
| <i>(d)(1)(ii)</i>   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No   |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance at the financial statement level (GAGAS)?                        | No   |
| <i>(d)(1)(iv)</i>   | Were there any material internal control weaknesses reported for major federal programs?                       | No   |
| <i>(d)(1)(iv)</i>   | Were there any significant deficiencies in internal control reported for major federal programs?               | No   |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion   | Unmodified   |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under § .510(a)?   | No   |
| <i>(d)(1)(vii)</i>  | Major Programs (list):   | Special Education Cluster:<br>Special Education – Grants to States: CFDA #84.027<br>Special Education – Preschool Grants: CFDA #84.173<br><br>Title I Grants to Local Educational Agencies:<br>CFDA # 84.010 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs  | Type A: > \$ 300,000<br>Type B: all others   |
| <i>(d)(1)(ix)</i>   | 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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# Dave Yost • Auditor of State

**MAD RIVER LOCAL SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 31, 2014**