



Dave Yost • Auditor of State



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Mississinawa Valley Local School District  
Darke County  
1469 State Route 47  
Union City, Ohio 45390

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mississinawa Valley Local School District, Darke County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 School 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 School 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 cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Mississinawa Valley Local School District, Darke County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental and Other Information*

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also 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.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of the School 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 School 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 "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 18, 2014

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

This discussion and analysis of the Mississinawa Valley Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014, within the limitations of the School District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2014 are as follows:

Total net position was \$3,107,164. Net position of governmental activities increased \$230,679, about eight percent.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

**Report Components**

The statement of net position – cash basis and the statement of activities – cash basis provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Reporting the School District as a Whole**

The statement of net position – cash basis and the statement of activities – cash basis reflect how the School District did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position – cash basis presents the cash balances of the School District at fiscal year-end. The statement of activities – cash basis compares cash disbursements with program receipts for the School District's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors such as the condition of the School District's capital assets and the reliance on non-local financial resources for operations.

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, the School District reports governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including, but not limited to, instruction, support services, operation of non-instructional services and extracurricular activities. The School District does not have any business-type activities.

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The fund financial statements provide a detailed view of the School District's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's activities. The School District's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's only major fund is the General Fund.

*Governmental Funds*

All of the School 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 the future periods. These funds are reported using cash 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 School 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.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**The School District as a Whole**

Table 1 provides a summary of the District's net position for 2014 compared to 2013 on a cash basis:

<b>Table 1 Net Position</b>		
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Total Assets	\$3,107,164	\$2,876,485
<b>Net Position</b>		
<b>Restricted for:</b>		
Debt Service	\$245,072	\$240,796
Capital Outlay	188,286	51,981
Other Purposes	393,456	393,134
Unrestricted	2,280,350	2,190,574
Total Net Position	\$3,107,164	\$2,876,485

Total net position increased \$230,679. Net position restricted for capital outlay increased due to a transfer from the general fund.

Table 2 reflects the changes in net position in fiscal year 2014, and a comparative balance to fiscal year 2013.

<b>Table 2 Changes in Net Position</b>		
	<b>Governmental Activities</b>	
	<b>FY 14</b>	<b>FY 13</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services	\$619,814	\$667,048
Operating Grants and Contributions	739,487	880,817
Total Program Receipts	1,359,301	1,547,865
<b>General Receipts:</b>		
Property Taxes	1,450,115	1,429,085
Income Taxes	1,169,941	929,859
Grants and Entitlements	4,742,639	4,288,876
Investment Earnings	1,466	3,225
Other	22,881	27,822
Total General Receipts	7,387,042	6,678,867
Total Receipts	8,746,343	8,226,732
<b>Disbursements:</b>		
<b>Instruction:</b>		
Regular	3,545,883	3,078,311
Special	1,058,963	1,283,440
Vocational	16,082	75,421
Other	511,911	456,605
		(Continued)

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Table 2  
Changes in Net Position  
(Continued)**

	<b>Governmental Activities</b>	
	<b>FY 14</b>	<b>FY 13</b>
<b>Support Services:</b>		
Pupil	363,642	347,296
Instructional Staff	217,575	695,171
Board of Education	23,090	25,323
Administration	471,132	584,402
Fiscal	127,081	168,123
Business	1,361	1,353
Operation and Maintenance of Plant	738,775	769,275
Transportation	316,477	433,439
Central	1,765	17,434
Operation of Non-Instructional Services	697,848	277,541
Extracurricular Activities	268,644	250,155
<b>Debt Service:</b>		
Principal	120,000	115,000
Interest	35,435	36,135
Total Disbursements	<u>8,515,664</u>	<u>8,614,424</u>
Increase (Decrease) in Net Position	230,679	(387,692)
Net Position – Beginning of Year	2,876,485	3,264,177
Net Position – End of Year	<u>\$3,107,164</u>	<u>\$2,876,485</u>

**Governmental Activities**

The largest source of receipts for governmental activities are unrestricted grants and entitlements which accounted for about 54 percent of the total cash received during the year. Unrestricted grants and entitlements increased due to changes in the state funding formula. Property and income taxes accounted for an additional 30 percent of receipts. Operating grants and contributions and charges for services each accounted for about 8 percent of receipts.

Instruction accounted for approximately 60 percent of total cash disbursements for fiscal year 2014, with Regular Instruction making up the largest share at about 42 percent of total disbursements. Regular Instruction expenditures increased due to negotiated increases in pay. Operation and maintenance of plant disbursements were about 9 percent of total disbursements. Operation of Non-instructional services accounted for 8 percent of total disbursements. Operation of non-instructional services increased due additional staffing needs in the School District. Pupil and Instructional Staff support services accounted for about 7 percent of total disbursements. Board of Education, Administration, Business and Fiscal disbursements accounted for another 7 percent of disbursements. Transportation accounted for about 4 percent of disbursements and Extracurricular Activities accounted for about 3 percent of total disbursements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Statement of Activities**

If you look at the Statement of Activities – Cash Basis on page 12, you will see that the first column lists the major activities of the School District. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the School District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, restricted State entitlements and investment earnings. A comparative analysis to fiscal year 2013 is also presented.

**Table 3  
Governmental Activities**

	FY 14		FY 13	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Instruction:</b>				
Regular	\$3,545,883	\$3,170,872	\$3,078,311	\$2,763,646
Special	1,058,963	675,274	1,283,440	840,725
Vocational	16,082	7,045	75,421	45,422
Other	511,911	511,911	456,605	456,605
<b>Support Services:</b>				
Pupils	363,642	363,642	347,296	186,247
Instructional Staff	217,575	60,818	695,171	526,635
Board of Education	23,090	23,090	25,323	25,323
Administration	471,132	471,132	584,402	584,402
Fiscal	127,081	127,081	168,123	168,123
Business	1,361	1,361	1,353	1,353
Operation and Maintenance of Plant	738,775	738,775	769,275	767,355
Transportation	316,477	316,477	433,439	433,439
Central	1,765	1,765	17,434	17,434
Operation of Non-Instructional Service	697,848	414,127	277,541	(471)
Extracurricular Activities	268,644	117,558	250,155	99,186
<b>Debt Service:</b>				
Principal	120,000	120,000	115,000	115,000
Interest	35,435	35,435	36,135	36,135
<b>Total Disbursements</b>	<u>\$8,515,664</u>	<u>\$7,156,363</u>	<u>\$8,614,424</u>	<u>\$7,066,559</u>

Charges for services and operating grants of about 16 percent of total cash receipts were received and used to fund the expenses of the School District. The remaining 84 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The School District relies on these receipts to furnish the services it provides to students.

**The School District's Funds**

Information about the School District's major governmental funds begins on page 13. All governmental funds had total receipts of \$8,746,343 and total disbursements of \$8,515,664. The General Fund is the chief operating fund of the School District. At the end of fiscal year 2014, unassigned fund balance of the General Fund was \$1,608,278.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Major Funds Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The School District's budget is adopted on a line item basis. The Board of Education adopts the budget at the fund and function level (i.e., General Fund – Regular Instruction).

During fiscal year 2014, the General Fund had original appropriations of \$7,233,279 and final appropriations of \$7,521,328. Actual expenditures plus encumbrances were \$7,520,637. Original estimated receipts were \$7,129,536 and final estimated receipts were \$7,460,124. Actual receipts for fiscal year 2014 were \$7,462,282.

**Capital Assets**

The School District tracks its capital assets and contracts with Valuation Engineers to keep their reports current.

**Debt**

At June 30, 2014, the School District had \$894,490 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. For more information on the School District's debt, see Note 10 of the notes to the basic financial statements.

**Current Financial Issues and Concerns**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Nick Hamilton, Treasurer, Mississinawa Valley Local School District, 1469 State Route 47, Union City, OH 45390.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2014**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,107,164
Total Assets	<u><u>\$3,107,164</u></u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Debt Service	\$245,072
Capital Outlay	188,286
Other Purposes	393,456
Unrestricted	<u>2,280,350</u>
Total Net Position	<u><u>\$3,107,164</u></u>

*See accompanying notes to the basic financial statements.*

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$3,545,883	\$199,743	\$175,268	(\$3,170,872)
Special	1,058,963	172,697	210,992	(675,274)
Vocational	16,082		9,037	(7,045)
Other	511,911			(511,911)
<b>Support Services:</b>				
Pupil	363,642			(363,642)
Instructional Staff	217,575	300	156,457	(60,818)
Board of Education	23,090			(23,090)
Administration	471,132			(471,132)
Fiscal	127,081			(127,081)
Business	1,361			(1,361)
Operation and Maintenance of Plant	738,775			(738,775)
Pupil Transportation	316,477			(316,477)
Central	1,765			(1,765)
Operation of Non-Instructional Services	697,848	95,988	187,733	(414,127)
Extracurricular Activities	268,644	151,086		(117,558)
<b>Debt Service:</b>				
Principal	120,000			(120,000)
Interest	35,435			(35,435)
Total Governmental Activities	<u>\$8,515,664</u>	<u>\$619,814</u>	<u>\$739,487</u>	<u>(7,156,363)</u>

**General Receipts:**

**Property Taxes Levied for:**

General Purposes	1,237,925
Debt Service	140,731
Capital Outlay	48,315
Classroom Maintenance	23,144
Income Taxes Levied for General Purposes	1,169,941
Grants and Entitlements not Restricted to Specific Programs	4,742,639
Interest	1,466
Miscellaneous	22,881
Total General Receipts	<u>7,387,042</u>
Change in Net Position	230,679
Net Position Beginning of Year	<u>2,876,485</u>
Net Position End of Year	<u>\$3,107,164</u>

See accompanying notes to the basic financial statements.



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,278,531	\$828,633	\$3,107,164
Total Assets	2,278,531	828,633	3,107,164
<b>Fund Balances:</b>			
Restricted		826,814	826,814
Committed		1,819	1,819
Assigned	670,253		670,253
Unassigned	1,608,278		1,608,278
Total Fund Balances	\$2,278,531	\$828,633	\$3,107,164

*See accompanying notes to the basic financial statements.*

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>			
Property Taxes	\$1,237,925	\$212,190	\$1,450,115
Income Tax	1,169,941		1,169,941
Intergovernmental	4,693,191	786,745	5,479,936
Interest	1,466		1,466
Tuition and Fees	351,557	19,212	370,769
Customer Sales and Service		91,743	91,743
Extracurricular Activities	66,016	84,465	150,481
Miscellaneous	25,457	6,435	31,892
Total Receipts	<u>7,545,553</u>	<u>1,200,790</u>	<u>8,746,343</u>
<b>Disbursements:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	3,342,476	203,407	3,545,883
Special	861,900	197,063	1,058,963
Vocational	16,082		16,082
Other	511,911		511,911
<b>Support Services:</b>			
Pupil	221,051	142,591	363,642
Instructional Staff	200,049	17,526	217,575
Board of Education	23,090		23,090
Administration	471,132		471,132
Fiscal	120,975	6,106	127,081
Business	1,361		1,361
Operation and Maintenance of Plant	600,934	137,841	738,775
Pupil Transportation	316,382	95	316,477
Central	1,765		1,765
Operation of Non-Instructional Services	404,142	293,706	697,848
Extracurricular Activities	177,123	91,521	268,644
<b>Debt Service:</b>			
Principal		120,000	120,000
Interest		35,435	35,435
Total Disbursements	<u>7,270,373</u>	<u>1,245,291</u>	<u>8,515,664</u>
Excess of Receipts Over (Under) Disbursements	275,180	(44,501)	230,679
<b>Other Financing Sources (Uses):</b>			
Transfers In		175,000	175,000
Transfers Out	(175,000)		(175,000)
Total Other Financing Sources (Uses)	<u>(175,000)</u>	<u>175,000</u>	
Net Change in Fund Balances	100,180	130,499	230,679
Fund Balances Beginning of Year	<u>2,178,351</u>	<u>698,134</u>	<u>2,876,485</u>
Fund Balances End of Year	<u>\$2,278,531</u>	<u>\$828,633</u>	<u>\$3,107,164</u>

See accompanying notes to the basic financial statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property Taxes	\$1,232,116	\$1,237,925	\$1,237,925	
Income Tax	1,050,000	1,169,941	1,169,941	
Tuition and Fees	347,000	334,302	334,302	
Interest	2,420	1,279	1,466	\$187
Intergovernmental	4,448,000	4,684,634	4,693,191	8,557
Miscellaneous	50,000	32,043	25,457	(6,586)
Total Revenues	<u>7,129,536</u>	<u>7,460,124</u>	<u>7,462,282</u>	<u>2,158</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,237,356	3,346,498	3,346,417	81
Special	890,200	885,394	885,394	
Vocational	3,750	16,082	16,082	
Other	556,207	512,795	512,795	
<b>Support Services:</b>				
Pupils	205,068	223,649	223,649	
Instructional Staff	277,807	232,755	232,754	1
Board of Education	25,449	23,290	23,290	
Administration	385,356	435,809	435,808	1
Fiscal	149,271	124,724	124,725	(1)
Business	3,331	1,970	1,361	609
Operation and Maintenance of Plant	572,814	608,103	608,102	1
Pupil Transportation	355,743	338,403	338,404	(1)
Central	3,691	2,249	2,249	
Extracurricular Activities	149,817	182,033	182,033	
Operation of Non-instructional Services	417,419	412,574	412,574	
Total Expenditures	<u>7,233,279</u>	<u>7,346,328</u>	<u>7,345,637</u>	<u>691</u>
Excess of Receipts Over (Under) Disbursements	(103,743)	113,796	116,645	2,849
<b>Other Financing Sources (Uses):</b>				
Transfers Out		(175,000)	(175,000)	
Total Other Financing Sources (Uses)		<u>(175,000)</u>	<u>(175,000)</u>	
Net Change in Fund Balance	(103,743)	(61,204)	(58,355)	2,849
Fund Balance at Beginning of Year	1,948,244	1,948,244	1,948,244	
Prior Year Encumbrances Appropriated	163,324	163,324	163,324	
Fund Balance at End of Year	<u>\$2,007,825</u>	<u>\$2,050,364</u>	<u>\$2,053,213</u>	<u>\$2,849</u>

*See Accompanying Notes to the Basic Financial Statements.*

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents		\$40,174
Investments in Segregated Accounts	\$384,232	
Total Assets	384,232	40,174
<b>Liabilities:</b>		
Due to Students		\$40,174
<b>Net Position:</b>		
Held in Trust for Scholarships	384,232	
	\$384,232	

*See accompanying notes to the basic financial statements.*

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	<u>\$5,491</u>
<b>Deductions:</b>	
Scholarships	<u>6,650</u>
Change in Net Position	(1,159)
Net Position - Beginning of Year	<u>385,391</u>
Net Position - End of Year	<u><u>\$384,232</u></u>

*See accompanying notes to the basic financial statements.*

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Mississinawa Valley Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

**Reporting Entity:**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Mississinawa Valley Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable and for which a financial benefit or burden relationship exists. The School District is financially accountable for an organization if the School District board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. The School District is financially accountable for an organization if an organization is fiscally dependent on the School District and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the School District regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Mississinawa Valley Local School District has no component units.

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 11 and 12 to the basic financial statements. These organizations are:

**Jointly Governed Organizations:**

- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council

**Insurance Purchasing Pool:**

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles, the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The School District also reports long-term investments as assets, valued at cost.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

**1. Governmental Fund Types**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The General Fund is the School District's only major governmental fund. The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**2. Fiduciary Funds**

Fiduciary funds account for cash and investments where the School District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for money left in trust for college scholarships for students. Agency funds are custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student activities' cash.

**B. Basis of Presentation**

The School District's basic financial statements consist of a government-wide statement of net position – cash basis and statement of activities – cash basis, and fund financial statements providing more detailed financial information.

**1. Government-wide Financial Statement of Net Position and Statement of Activities**

These statements display information about the School District as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities. The School District, however, does not have any business-type activities.



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-wide statement – cash basis of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the School District's general receipts.

**2. Fund Financial Statements**

Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**C. Cash, Cash Equivalents and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds except the principal amount of the private purpose trust funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Investments of the private purpose trust funds are presented as "Investments in Segregated Accounts" on the financial statements.

The School District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 was \$1,466, including \$468 assigned from other School District funds.

For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**D. Inventory**

On the cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**E. Prepaid Items**

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as disbursements when made.

**F. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

**H. Long-term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**I. Fund Balance**

Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

Fund balance is reported as committed when the Board of Education of the School District has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the Treasurer has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Unassigned fund balance represents resources not restricted, committed or assigned to a specific purpose.

The School District applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

**J. Net Position**

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

At June 30, 2014, the School District does not have any assets restricted by enabling legislation.

**K. Interfund Activity**

Permanent non-exchange flows of cash 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 on the fund financial statements and eliminated on the district wide statements. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Budgetary Data**

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the fund and two-digit function level for the general fund and the fund level for all other funds as its legal levels of control.

The certificate of estimated resources may be amended during the year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 money deposited with the institution.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**3. DEPOSITS AND INVESTMENTS**

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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 School 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, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information discloses the risks associated with the School District's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

**A. Deposits**

At June 30, 2014, the book balance of the School District's deposits was \$1,063,825 and the bank balance was \$1,146,179.

**Custodial Credit Risk:** 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 School District does not have a deposit policy for custodial credit risk. As of June, 30, 2014, the entire balance was covered by federal depository insurance. Non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments**

At June 30, 2014, the School District had \$2,466,510 invested in STAR Ohio. STAR Ohio is an investment pool and has various interest rates. At June 30, 2014, the School District had \$1,145 invested in the Invesco STIT money market mutual fund.

**Interest Rate Risk:** The School District does not have a formal investment policy that addresses interest rate risk.

**Concentration of Credit Risk:** The School District places no limit on the amount it may invest in any one issuer. Almost 100% of the School District's investments at June 30, 2014, were in STAR Ohio.

**Credit Risk:** The School District's investment in STAR Ohio was rated AAAM by Standard & Poor's at June 30, 2014. The School District's investment in the Invesco STIT money market mutual fund was rated AA at June 30, 2014.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$3,147,338	\$384,232
Investments:		
Certificates of Deposit	384,232	(384,232)
Cash on Hand	(90)	
Invesco Money Market Mutual Fund	(1,145)	1,145
STAR Ohio	(2,466,510)	2,466,510
GASB Statement No. 3	\$1,063,825	\$2,467,655

**4. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 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 law at thirty-five percent of appraised market 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.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. PROPERTY TAXES (Continued)**

Public utility property tax revenue received in calendar 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 in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School 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 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$67,480,800	97.10%	\$68,409,690	97.06%
Public Utility	2,013,080	2.90	2,073,370	2.94
Total	\$69,493,880	100.00%	\$70,483,060	100.00%
Tax rate per \$1,000 of assessed valuation	\$35.48		\$35.48	

**5. INCOME TAX**

As of June 30, 2014, the School District levies a voted tax of 1.75 percent for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2014 were \$1,169,941.

**6. RISK MANAGEMENT**

**A. Property and Liability**

The School 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 fiscal year 2014, the School District contracted with Indiana Insurance through Magas Insurance Associates for property and fleet, general liability, boiler and machinery coverage, crime, and inland marine insurance.

Insurance coverage provided includes the following:

Building and Contents – at replacement cost (\$1,000 deductible)	\$28,446,527
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorist (\$0 deductible)	1,000,000

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

General Liability	
Per Occurrence	1,000,000
Total Per Year	2,000,000
Umbrella Liability	
Per Occurrence	4,000,000
Aggregate Limit	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past ten years. There have been no significant reductions in insurance coverage from the prior year.

**B. Workers' Compensation**

For fiscal year 2014, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - The School District contributes to the School Employees Retirement System (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 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 may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**Funding Policy** - For fiscal year 2014 plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent 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 Healthcare Fund) of the system. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent of annual covered salary. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$138,535, \$129,364, and \$122,694 respectively; 62 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. 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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a Comprehensive Annual Financial Report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 these active members who die before retirement may qualify for survivor benefits. 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.



**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**Funding Policy** - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2013. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2014, 2013, and 2012 were \$395,487, \$406,882 and \$394,734 respectively; 82 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$24,201 made by the School District and \$19,015 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**8. POST-EMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2014, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for the fiscal years ended June 30, 2014, 2013 and 2012, were \$30,422, \$31,304, and \$30,364. 82% has been contributed for fiscal year 2014 and 100% has been contributed for fiscal years 2013 and 2012.

The financial reports of the STRS Ohio's Health Care Stabilization Fund are included in its stand-alone report that can be obtained by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org) or by calling toll-free 1-888-227-7877.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month, depending on 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 .76 percent and for fiscal year 2013, the actuarially required allocation was .74 percent. The School District's required contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were \$8,037, \$7,308, and \$7,246 respectively; 62 percent has been contributed for fiscal year 2014 and 100 percent has been contributed for fiscal year 2013 and 2012.

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 statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 410(h). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2014, the health care allocation was .14 percent of covered payroll.

In addition, a 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 pay was established at \$20,250. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the required contribution to fund health care benefits, including the surcharge, during the fiscal years ending June 30, 2014, 2013 and 2012 were \$17,932, \$14,962, and \$19,087; 62 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The SERS Retirement Board establishes 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 stand-alone report. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**9. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus ninety, not to exceed 220 days for all employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 55 days for certified and classified employees.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to classified employees through the Community Life Insurance Company, and medical, surgical, dental and vision insurance through Anthem PPO Blue Cross Blue Shield to all employees.

**C. Deferred Compensation Plan**

Employees may elect to participate in the Ohio Association of School Business Officials Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**10. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	<b>Principal Outstanding 6/30/13</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/14</b>	<b>Amount Due Within One Year</b>
Classroom Facilities Refunding Bonds - 2008					
Term Bonds 4.00%	\$40,000		\$20,000	\$20,000	\$20,000
Capital Appreciation Bonds 4.4 -4.45%	49,999			49,999	
Serial Bonds 4.2 – 4.375%	810,000			810,000	
Classroom Facilities Bonds - 2000					
Capital Appreciation Bonds	31,058		16,567*	14,491	14,491
<b>Total General Long-Term Obligations</b>	<b>\$931,057</b>	<b>\$0</b>	<b>\$36,567</b>	<b>\$894,490</b>	<b>\$34,491</b>

**Classroom Facilities General Obligation Bonds** - The School District issued bonds in the amount of \$1,969,999 for the purpose of building new school facilities in 2000. Of these bonds, \$930,000 were serial bonds, with maturity dates of December 1, 2000 to December 1, 2011. \$990,000 were term bonds with a maturity date of December 1, 2022, and \$49,999 of the bonds were capital appreciation bonds, with maturity dates of December 1, 2012, 2013, and 2014. \*The maturity amount is \$100,000 for each year.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**10. LONG-TERM OBLIGATIONS (Continued)**

**Classroom Facilities Refunding Bonds** - During fiscal year 2008, the School District issued \$989,999 general obligation bonds to advance refund the 2000 term bonds. Of these bonds, \$130,000 are term bonds maturing on December 1, 2014, \$49,999 are capital appreciation bonds maturing on December 1, 2015 and December 1, 2016, and \$810,000 are serial bonds with maturity dates of December 1, 2017 through December 1, 2022. The maturity amount for the capital appreciation bonds is \$120,000 for each year.

The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government, State and Local Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service of the general obligation bonds. As a result, the refunded bonds are considered to be defeased.

The School District's overall legal debt margin was \$5,694,057 and the un-voted debt margin was \$70,483 at June 30, 2014. Principal and interest requirements to retire the classroom facilities general obligation bonds are as follows:

Fiscal year Ending June 30,	Term Bonds		Capital Appreciation Bonds		Serial Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$20,000	\$34,635	\$14,491	\$142,434		
2016			27,233	127,002		
2017			22,766	131,469		
2018					\$125,000	\$31,657
2019					125,000	26,500
2020-2023					560,000	49,497
Total	<u>\$20,000</u>	<u>\$34,635</u>	<u>\$64,490</u>	<u>\$400,905</u>	<u>\$810,000</u>	<u>\$107,654</u>

**11. JOINTLY GOVERNED ORGANIZATION**

**A. Metropolitan Dayton Educational Cooperative Association**

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The 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 school districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$15,997 for computer services provided during the fiscal year. Financial information can be obtained from Dean A. Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

**B. Southwestern Ohio Educational Purchasing Council**

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**11. JOINTLY GOVERNED ORGANIZATION (Continued)**

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2014, the School District paid \$591 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**12. INSURANCE PURCHASING POOL**

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

**13. SET-ASIDE CALCULATIONS**

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

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

	<b>Capital Acquisition</b>
Set-aside Reserve Balance as of June 30, 2013	
Current Year Set-aside Requirement	\$113,825
Current Year Offsets	<u>(113,825)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Reserve Balances as of June 30, 2014	<u><u>\$0</u></u>

The School District had offsets from prior fiscal years bond proceeds that reduced the set-aside amount to below zero for the capital acquisition set-aside. The negative amount can be carried forward to reduce the set-aside in future fiscal years.

**14. CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**15. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Disbursements and Change in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The differences between the budget basis and cash basis is:

- (1) outstanding year-end encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance ( cash), and,
- (2) Perspective differences - activity of some funds is included with the General Fund on the cash basis because those funds do not meet the requirements to be presented as a separate fund. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the General Fund.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the:

<b>General Fund</b>	
<b>Net Change in Fund Balance:</b>	
Cash Basis	\$100,180
Adjustment for Encumbrances	(144,737)
Perspective Difference	(13,798)
Budget Basis	<u>(\$58,355)</u>

**16. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**17. FUND BALANCE**

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2014 were as follows:

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**17. FUND BALANCE (Continued)**

<b>Fund Balance</b>	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Restricted for:</b>			
Instructional Materials		\$10,345	\$10,345
Martha Holden Jennings Grant		1,524	1,524
Classroom Facilities		5,389	5,389
Facilities Maintenance		18,907	18,907
Debt Retirement		245,072	245,072
Permanent Improvements		182,897	182,897
Educational Management Information Systems		3,611	3,611
Special Education		14,265	14,265
Café Expansion Grant		71	71
Race to the Top		6,215	6,215
Food Service Operations		283,752	283,752
Improving Teacher Quality		6,244	6,244
National Writing Project		187	187
Athletics		48,335	48,335
Total Restricted		<u>826,814</u>	<u>826,814</u>
<b>Committed to:</b>			
Latchkey/Preschool		1,819	1,819
Total Committed		<u>1,819</u>	<u>1,819</u>
<b>Assigned for:</b>			
FY 15 appropriations in excess of estimated receipts	\$446,268		446,268
Unpaid Obligations	144,737		144,737
Security and Technology	48,119		48,119
Educational Activities	31,129		31,129
Total Assigned	<u>670,253</u>		<u>670,253</u>
Unassigned	1,608,278		1,608,278
Total Fund Balance	<u>\$2,278,531</u>	<u>\$828,633</u>	<u>\$3,107,164</u>

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**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash 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	\$32,026		\$32,026	
National School Lunch Program	10.555	151,646	\$24,051	151,646	\$24,051
Total Nutrition Cluster		<u>183,672</u>	<u>24,051</u>	<u>183,672</u>	<u>24,051</u>
State Administrative Expenses for Child Nutrition	10.560			14,929	
Total U.S. Department of Agriculture		<u>183,672</u>	<u>24,051</u>	<u>198,601</u>	<u>24,051</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	201,067		186,800	
Rural Education	84.358	11,766		11,766	
Improving Teacher Quality State Grants	84.367	55,458		51,655	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	37,583		36,229	
National Writing Project	84.928			3,226	
Total U.S. Department of Education		<u>305,874</u>		<u>289,676</u>	
Total Federal Awards Receipts and Expenditures		<u>\$489,546</u>	<u>\$24,051</u>	<u>\$488,277</u>	<u>\$24,051</u>

*The accompanying notes are an integral part of this schedule.*

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE 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 the Mississinawa Valley Local School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# 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

Mississinawa Valley Local School District  
Darke County  
1469 State Route 47  
Union City, Ohio 45390

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mississinawa Valley Local School District, Darke County, (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 18, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

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

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School 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 School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-002.

***Entity's Response to Findings***

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

***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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 18, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Mississinawa Valley Local School District  
Darke County  
1469 State Route 47  
Union City, Ohio 45390

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Mississinawa Valley Local School District's (the School 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 the Mississinawa Valley Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

### ***Management's Responsibility***

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

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

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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 School 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 School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Mississinawa Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

The School 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 School 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 School 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 18, 2014

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

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

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	<b>Child Nutrition Cluster</b> CFDA 10.553 - School Breakfast Program CFDA 10.555 - National School Lunch Program
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2014-001**

**NONCOMPLIANCE/FINDING FOR RECOVERY - REPAID UNDER AUDIT**

**Ohio Rev. Code Section 124.39(B)** states that except as provided in division (C) of this section, an employee of a political subdivision covered by section 124.38 or 3319.141 of the Revised Code may elect, at the time of retirement from active service with the political subdivision, and with ten or more years of service with the state, any political subdivisions, or any combination thereof, to be paid in cash for one-fourth the value of the employee's accrued but unused sick leave credit.

**FINDING NUMBER 2014-001  
 (Continued)**

The payment shall be based on the employee's rate of pay at the time of retirement and eliminates all sick leave credit accrued but unused by the employee at the time payment is made. An employee may receive one or more payments under this division, but the aggregate value of accrued but unused sick leave credit that is paid shall not exceed, for all payments, the value of thirty days of accrued but unused sick leave. **Ohio Rev. Code Section 124.39(C)** states that a political subdivision may adopt a policy allowing an employee to receive payment for more than one-fourth the value of the employee's unused sick leave or for more than the aggregate value of thirty days of the employee's unused sick leave, or allowing the number of years of service to be less than ten. The political subdivision may also adopt a policy permitting an employee to receive payment upon a termination of employment other than retirement or permitting more than one payment to any employee.

**School District Policy 1415 – Severance Pay**, states, in part, that unless otherwise set forth in the terms of an individual contract administrators employed by the Board of Education with (1) or more years of service with the Board, the State, any political subdivision, or any combination thereof may elect, at the time of retirement from active service with the Board and upon presentation of evidence of service retirement from the appropriate retirement system, to receive severance pay for their accrued but unused sick leave per statute in the amount of one forth(1/4) of 220 days.

Superintendent, Dr. Lisa Wendel's contract for August 1, 2010 – July 31, 2013 states that upon termination the Superintendent shall be entitled to payment for accumulated but unused vacation days at the daily rate based on a 260 day contract and paid one sick day for every four earned and not used at the daily rate based on a 260 day contract.

Dr. Wendel, Superintendent of Schools, retired June 30, 2013 and was paid for unused vacation and sick leave in the amount of \$33,545 on October 18, 2013. However, based upon the administrative contract and the calculation below, she should only have been paid \$23,935.

<b>Severance Pay Calculation</b>	
Vacation Days	21
Daily Rate	\$377.31
Total Vacation Payout	<u>\$7,923</u>
Sick Days	169.75
1 for every 4 sick days	42.44
Daily Rate	\$377.31
Total Sick Leave Payout	<u>\$16,012</u>
Total Severance	<u><u>\$23,935</u></u>

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public money illegally expended in the amount of \$9,610 is hereby issued against Lisa Wendel and in favor of Mississinawa Valley Local School District's General Fund.

On November 25, 2014 Lisa Wendel repaid the finding amount via check number 5995.

The School District should review severance compensation for employees and verify that payments are made in accordance with applicable contracts and/or the School District policy. Failure to do so could result in future severance overpayments.



**FINDING NUMBER 2014-001  
(Continued)**

**Official's Response:**

The finding was promptly repaid to the School District by Lisa Wendel when this severance computation error was brought to her attention.

**FINDING NUMBER 2014-002**

**Noncompliance**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Admin. Code Section 117-2-03(B)** requires the school district to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare the annual financial statements according to generally accepted accounting principles to help provide the users with more meaningful and useful financial statements.

**Official's Response:**

The Mississinawa Valley Local School District Board of Education continues to support their decision in processing the OCBOA statements as a means to save time and money for the School District.

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<b>Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B)</b> – Failure to prepare financial statements in accordance with generally accepted accounting principles.	No	Repeated as 2014-002
2013-002	<b>Classroom Facilities Assistance Program Agreement between the Ohio School Facilities Commission and the District, Section IV Maintenance of Completed Facilities part B</b> – Charging routine janitorial and equipment supplies costs associated with the day-to-day housekeeping as maintenance expenditures, which are not allowable expenditures.	Yes	



# Dave Yost • Auditor of State

**MISSISSINAWA VALLEY LOCAL SCHOOL DISTRICT**

**DARKE 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  
FEBRUARY 10, 2015**