



Dave Yost • Auditor of State

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mad River Local School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Mad River Local School District, Montgomery County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Award Receipts and Expenditures Schedule 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 27, 2013

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**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

The discussion and analysis of Mad River Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- Net position of governmental activities increased \$1,153,053 which represents a 1.6% increase from 2012.
- General revenues accounted for \$31,051,109 in revenue or 73% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11,301,595 or 27% of total revenues of \$42,352,704 .
- The District had \$41,199,651 in expenses related to governmental activities; \$11,301,595 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$31,051,109 were also used to provide for these programs.

Overview of the Financial Statements

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

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

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Government-wide Financial Statements answer this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

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

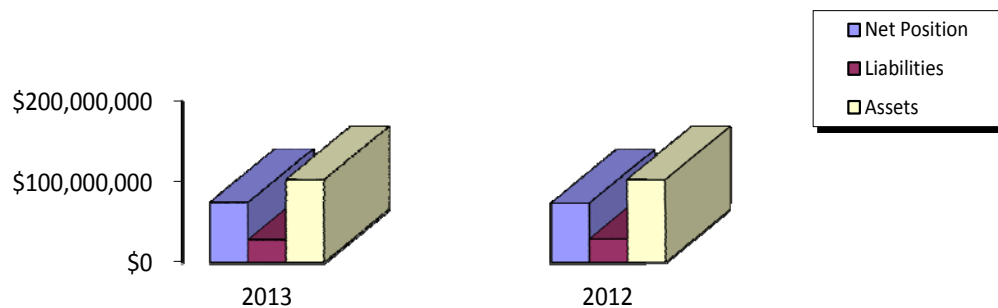
**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2013 compared to 2012:

Table 1
Net Position

	Governmental Activities	
	2013	2012
Assets:		
Current and Other Assets	\$28,083,249	\$26,733,410
Capital Assets	74,290,257	75,700,324
Total Assets	102,373,506	102,433,734
Liabilities:		
Other Liabilities	14,295,665	14,393,555
Long-Term Liabilities	13,754,078	14,869,469
Total Liabilities	28,049,743	29,263,024
Net Position:		
Net Investment in Capital Assets	63,722,647	63,938,337
Restricted	3,732,821	4,292,039
Unrestricted	6,868,295	4,940,334
Total Net Position	\$74,323,763	\$73,170,710



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities by \$74,323,763.

At year-end, capital assets represented 73% of total assets. Capital assets include land, buildings and improvements, and equipment and vehicles. Net investment in capital assets at June 30, 2013, was \$63,722,647. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

A portion of the District's net position, \$3,732,821 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets remained relatively consistent from 2012 to 2013. Long-Term Liabilities decreased mainly due to the District making regularly scheduled debt payments.

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues:		
Program Revenues		
Charges for Services	\$3,654,999	\$2,671,624
Operating Grants, Contributions	7,646,596	7,362,406
General Revenues:		
Property Taxes	9,628,143	9,696,495
Grants and Entitlements	21,092,125	21,570,437
Other	330,841	235,302
Total Revenues	<u>42,352,704</u>	<u>41,536,264</u>
Program Expenses:		
Instruction	22,874,015	24,710,809
Support Services:		
Pupil and Instructional Staff	5,116,349	5,671,293
School Administrative, General		
Administration, Fiscal and Business	3,179,703	3,827,742
Operations and Maintenance	4,065,302	4,163,259
Pupil Transportation	1,588,683	1,640,185
Central	284,822	234,135
Operation of Non-Instructional Services	2,823,169	2,528,435
Extracurricular Activities	645,317	687,635
Interest and Fiscal Charges	622,291	670,927
Total Program Expenses	<u>41,199,651</u>	<u>44,134,420</u>
Change in Net Position	1,153,053	(2,598,156)
Net Position - Beginning of Year	<u>73,170,710</u>	<u>75,768,866</u>
Net Position - End of Year	<u>\$74,323,763</u>	<u>\$73,170,710</u>

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

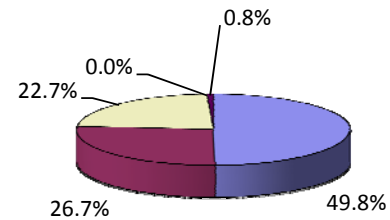
Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general, special revenue, and debt service purposes, and grants and entitlements comprised 73% of the District's revenues for governmental activities.

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

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 23% of revenue for governmental activities for the District in fiscal year 2013.

Revenue Sources	2013	Percent of Total
General Grants	\$21,092,125	49.80%
Program Revenues	11,301,595	26.69%
General Tax Revenues	9,628,143	22.73%
Investment Earnings	8,527	0.02%
Other Revenues	322,314	0.76%
	<u>\$42,352,704</u>	<u>100.00%</u>



Instruction comprises 55.5% of governmental program expenses. Support services expenses were 34.6% of governmental program expenses. All other expenses including interest expense were 9.9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District had an increase in operating grants revenue mainly due to an increase in grant money receipts from state and federal sources. Instructional, pupil and instructional staff expenses decreased mainly due to ongoing cost reducing efforts by the District.

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

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$22,874,015	\$24,710,809	(\$15,184,766)	(\$18,406,768)
Support Services:				
Pupil and Instructional Staff	5,116,349	5,671,293	(4,851,924)	(5,275,443)
School Administrative, General				
Administration, Fiscal and Business	3,179,703	3,827,742	(3,176,630)	(3,723,631)
Operations and Maintenance	4,065,302	4,163,259	(3,898,104)	(3,997,759)
Pupil Transportation	1,588,683	1,640,185	(1,285,165)	(1,485,842)
Central	284,822	234,135	(254,274)	(215,725)
Operation of Non-Instructional Services	2,823,169	2,528,435	(136,148)	145,523
Extracurricular Activities	645,317	687,635	(488,754)	(469,818)
Interest and Fiscal Charges	622,291	670,927	(622,291)	(670,927)
Total Expenses	<u>\$41,199,651</u>	<u>\$44,134,420</u>	<u>(\$29,898,056)</u>	<u>(\$34,100,390)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$22,263,597 (79%) of the total \$28,180,090 governmental funds assets.

General Fund: Fund balance at June 30, 2013 was \$9,029,012, an increase in fund balance of \$1,593,859 from 2012. The primary reason for the increase in the fund balance was due to a decrease in expenditures from fiscal year 2012 to 2013.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was \$34,482,918, compared to final budget estimates of \$35,476,661. The difference between the original budget basis and final budget was \$993,743, which was mostly due to underestimates for taxes and intergovernmental revenue estimates.

The District's ending unobligated cash balance was \$10,878,316.

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$74,290,257 invested in land, buildings and improvements, equipment and vehicles. Table 4 shows fiscal 2013 balances compared to fiscal 2012:

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

	Governmental Activities	
	2013	2012
Land	\$1,068,500	\$1,068,500
Buildings and Improvements	71,642,399	73,415,448
Equipment and Vehicles	1,579,358	1,216,376
 Total Net Capital Assets	 <u>\$74,290,257</u>	 <u>\$75,700,324</u>

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

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

Debt

At June 30, 2013, the District had \$11,826,797 in bonds and capital leases outstanding, \$1,278,000 due within one year. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2013	2012
Bonds and Leases Payables:		
Ohio School Facility Project Bond	\$2,060,000	\$2,990,000
Refunding Bonds:		
Current Interest Bonds		
Classroom Facilities	7,855,000	7,985,000
Capital Appreciation Bonds	20,000	20,000
Interest Accretion on Capital Appreciation Bonds	1,259,187	1,208,692
Accrued Premium on Refunding Bonds	17,245	18,745
Deferred Amount on Refunding Bonds	(504,635)	(548,516)
Capital Lease	1,120,000	1,296,758
 Total Bonds and Leases	 <u>\$11,826,797</u>	 <u>\$12,970,679</u>

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

**Mad River Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

For the Future

The economic climate at this time is that the economy has shown signs of improvement but growth has been very slow. The housing sector is still in a serious slump or decline due the sub-prime mortgage fallout. Foreclosures are at an all-time high. The condition of the housing sector means that property tax revenue will continue to be hurt by delinquent collections. New construction within the District is almost non-existent. The District's assessed property valuation has declined in the last tri-annual appraisal from \$264,116,580 to \$248,592,720.

The District's native enrollment has been declining over the last five years but enrollment has now recovered and climbed to 3,787 since the District opened enrollment to outside students beginning in FY12. There were 335 open enrollment students in FY13 and over 450 have enrolled for FY14. The District is funded on a per-student basis and is not on the "guarantee" for Foundation funding. Open enrollment brought in \$1,963,917 funding in addition to the regular State foundation funding of \$21,538,693 in FY13. The increasing enrollment will result in additional funding over prior years.

Real Estate Tax revenues for the District have declined in recent years with the current economy and credit crunch in the housing sector, but the District did successfully pass a new 5.9 mill continuing levy to fund operations at the March 2012 election. The new levy is projected to bring in \$1,341,375 annually beginning with calendar year 2013. For FY13, only half of the new levy (\$670,688) will be realized in that fiscal year. Total real estate taxes for the general fund are projected to be \$10,426,517 in FY14 according to the County Auditor's office.

The District has a General Fund cash balance of \$11,033,138 at June 30, 2013 which is up from \$9,571,331 at the beginning of FY13. The District embarked on a major cost cutting plan for FY13 by reducing 77 employees. The combination of this reduction in staff, opening enrollment and the passage of the new 5.9 mill levy has restored the District to a balanced budget for the next several fiscal years.

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

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

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

Contacting the District's Financial Management

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

Mad River Local School District, Ohio
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$15,961,326
Receivables:	
Taxes	11,208,731
Accounts	102,839
Interest	8,450
Intergovernmental	689,334
Deferred Bond Issuance Costs	94,814
Inventory	17,755
Nondepreciable Capital Assets	1,068,500
Depreciable Capital Assets, Net	<u>73,221,757</u>
 Total Assets	 <u>102,373,506</u>
 Liabilities:	
Accounts Payable	165,948
Accrued Wages and Benefits	4,148,099
Accrued Interest Payable	35,500
Unearned Revenue	9,946,118
Long-Term Liabilities:	
Due Within One Year	1,546,715
Due In More Than One Year	<u>12,207,363</u>
 Total Liabilities	 <u>28,049,743</u>
 Net Position:	
Net Investment in Capital Assets	63,722,647
Restricted for:	
Local Grants	23,136
Debt Service	852,073
Capital Projects	1,752,653
Food Service	146,422
Classroom Facilities Maintenance	409,627
District Managed Student Activities	348,636
State Grants	3,475
Federal Grants	196,799
Unrestricted	<u>6,868,295</u>
 Total Net Position	 <u><u>\$74,323,763</u></u>

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$14,453,811	\$2,462,354	\$178,621	(\$11,812,836)
Special	4,939,068	147,496	3,756,323	(1,035,249)
Vocational	1,998,980	0	1,144,455	(854,525)
Adult	18,771	0	0	(18,771)
Other	1,463,385	0	0	(1,463,385)
Support Services:				
Pupil	2,644,155	0	42,251	(2,601,904)
Instructional Staff	2,472,194	0	222,174	(2,250,020)
General Administration	91,374	0	0	(91,374)
School Administration	2,484,608	0	2,399	(2,482,209)
Fiscal	603,691	0	674	(603,017)
Business	30	0	0	(30)
Operations and Maintenance	4,065,302	15,026	152,172	(3,898,104)
Pupil Transportation	1,588,683	194,734	108,784	(1,285,165)
Central	284,822	0	30,548	(254,274)
Operation of Non-Instructional Services	2,823,169	679,929	2,007,092	(136,148)
Extracurricular Activities	645,317	155,460	1,103	(488,754)
Interest and Fiscal Charges	622,291	0	0	(622,291)
Totals	\$41,199,651	\$3,654,999	\$7,646,596	(\$29,898,056)

General Revenues:	
Property Taxes Levied for:	
General Purposes	8,428,924
Special Revenue Purposes	88,670
Debt Service Purposes	1,110,549
Grants and Entitlements not Restricted	21,092,125
Unrestricted Contributions	16,651
Investment Earnings	8,527
Other Revenues	305,663
Total General Revenues	31,051,109
Change in Net Position	1,153,053
Net Position - Beginning of Year	73,170,710
Net Position - End of Year	\$74,323,763

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$12,130,133	\$3,831,193	\$15,961,326
Receivables:			
Taxes	9,857,047	1,351,684	11,208,731
Accounts	90,678	12,161	102,839
Interest	8,450	0	8,450
Intergovernmental	0	689,334	689,334
Interfund	177,289	14,366	191,655
Inventory	0	17,755	17,755
Total Assets	22,263,597	5,916,493	28,180,090
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	70,851	95,097	165,948
Accrued Wages and Benefits	3,614,470	533,629	4,148,099
Compensated Absences	67,114	13,480	80,594
Interfund Payable	0	191,655	191,655
Deferred Revenue	9,482,150	1,527,156	11,009,306
Total Liabilities	13,234,585	2,361,017	15,595,602
Fund Balances:			
Nonspendable	0	17,755	17,755
Restricted	0	3,552,117	3,552,117
Committed	252,634	0	252,634
Assigned	582,566	0	582,566
Unassigned	8,193,812	(14,396)	8,179,416
Total Fund Balances	9,029,012	3,555,476	12,584,488
Total Liabilities and Fund Balances	\$22,263,597	\$5,916,493	\$28,180,090

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2013

Total Governmental Fund Balance		\$12,584,488
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		74,290,257
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$834,056	
Intergovernmental	<u>229,132</u>	
		1,063,188
In the statement of net position interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(35,500)
Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,846,687)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		94,814
Long-term debt obligations, are not due and payable in the current period and therefore are not reported in the funds.		<u>(11,826,797)</u>
Net Position of Governmental Activities		<u><u>\$74,323,763</u></u>

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$8,368,200	\$1,207,011	\$9,575,211
Tuition and Fees	2,696,607	0	2,696,607
Investment Earnings	7,746	781	8,527
Intergovernmental	24,186,014	4,694,342	28,880,356
Extracurricular Activities	122,598	147,179	269,777
Charges for Services	14,943	679,929	694,872
Other Revenues	274,323	23,841	298,164
Total Revenues	35,670,431	6,753,083	42,423,514
Expenditures:			
Current:			
Instruction:			
Regular	13,579,010	0	13,579,010
Special	3,113,384	1,614,288	4,727,672
Vocational	1,722,061	49,740	1,771,801
Adult	18,771	0	18,771
Other	1,463,385	0	1,463,385
Support Services:			
Pupil	2,512,585	50,623	2,563,208
Instructional Staff	2,193,282	260,332	2,453,614
General Administration	91,374	0	91,374
School Administration	2,426,116	0	2,426,116
Fiscal	569,298	16,917	586,215
Business	30	0	30
Operations and Maintenance	3,602,056	482,777	4,084,833
Pupil Transportation	1,660,140	1,010	1,661,150
Central	247,937	28,761	276,698
Operation of Non-Instructional Services	3,763	2,761,864	2,765,627
Extracurricular Activities	480,623	163,874	644,497
Capital Outlay	2,563	0	2,563
Debt Service:			
Principal Retirement	176,758	1,060,000	1,236,758
Interest and Fiscal Charges	61,275	463,585	524,860
Total Expenditures	33,924,411	6,953,771	40,878,182
Excess of Revenues Over (Under) Expenditures	1,746,020	(200,688)	1,545,332
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	5,598	12,294	17,892
Transfers In	0	157,759	157,759
Transfers (Out)	(157,759)	0	(157,759)
Total Other Financing Sources (Uses)	(152,161)	170,053	17,892
Net Change in Fund Balance	1,593,859	(30,635)	1,563,224
Fund Balance - Beginning of Year	7,435,153	3,586,111	11,021,264
Fund Balance - End of Year	\$9,029,012	\$3,555,476	\$12,584,488

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balance - Total Governmental Funds \$1,563,224

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

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

Capital assets used in governmental activities	\$602,639	
Depreciation Expense	<u>(2,012,706)</u>	
		(1,410,067)

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

Delinquent Property Taxes	\$52,932	
Intergovernmental	<u>(141,634)</u>	
		(88,702)

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 1,236,758

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

Accrued Interest		3,689
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Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	(\$50,729)	
Amortization of Bond Issuance Cost	(8,244)	
Deferred Charges	(43,881)	
Amortization of Bond Premium	1,500	
Bond Accretion	<u>(50,495)</u>	
		(151,849)

Change in Net Position of Governmental Activities		<u><u>\$1,153,053</u></u>
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See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$4,350	\$60,489
Total Assets	4,350	60,489
Liabilities:		
Accounts Payable	0	45
Other Liabilities	0	60,444
Total Liabilities	0	\$60,489
Net Position:		
Held in Trust	4,350	
Total Net Position	\$4,350	

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
Additions:	
Donations	\$1,550
Other	1,021
Total Additions	<u>2,571</u>
Deductions:	
Other	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Position	1,571
Net Position - Beginning of Year	<u>2,779</u>
Net Position - End of Year	<u><u>\$4,350</u></u>

See accompanying notes to the basic financial statements.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 1 – Description of the District

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

Reporting Entity

In accordance with Governmental Accounting Standards Board [GASB] Statement 14/39/61, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities. The District is associated with three organizations that are defined as jointly governed organizations. These organizations are the Montgomery County Educational Service Center, Metropolitan Dayton Educational Computer Association and the Southwestern Ohio Educational Purchasing Council. These organizations are presented in Note 18.

Note 2 – Summary of Significant Accounting Policies

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

Measurement Focus

Government-wide Financial Statements

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Fiduciary Funds

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

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

Equity in Pooled Cash and Investments

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2013 amounted to \$7,746 in the general fund and \$781 in the other governmental funds.

Inventory

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Capital Assets

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

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

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

Compensated Absences

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

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

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

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	20 days per year	10-20 days for each service year depending on length of service – bonus of maximum 5 days eligible
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Used prior to termination	Used prior to termination

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Sick Leave

How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	328 days	328 days	328 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/4 paid upon retirement	1/4 paid upon retirement	1/4 paid upon retirement

Net Position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$3,732,821 restricted net position reported at fiscal year end, none were restricted by enabling legislation.

Interfund Activity

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

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Fund Balance

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

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

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

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

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

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

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

Estimates

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

Note 3 – Equity In Pooled Cash And Investments

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

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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

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

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

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2013, \$6,884,940 of the District’s bank balance of \$7,564,195 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool that are not FDIC insured.

Investments

As of June 30, 2013, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$6,813	0.00
STAROhio	24,415	0.16
Federal Home Loan Bank	2,676,187	0.27
Federal Home Loan Mortgage Corporation	703,033	2.41
Federal National Mortgage Association	3,461,405	2.98
Commercial Paper	624,081	0.45
U.S. Treasury Note	1,265,840	0.83
	<u>\$8,761,774</u>	
Portfolio Weighted Average Maturity		1.61

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

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and U.S. Treasury Notes, were rated AA+ by Standard and Poor’s and Fitch ratings and Aaa by Moody’s Investors Service. Commercial Paper was rated A-1+ by Standards and Poor’s and P-1 by Moody’s Investors Service. STAROhio was rated AAAM by Standards & Poor’s, while the Money Market Fund was not rated.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities as well as other investments permitted by Ohio Law. The District has invested less than 1% of the District’s investments in Money Market Funds, less than 1% in STAR Ohio, 31% in Federal Home Loan Bank, 8% in Federal Home Loan Mortgage Corporation, 40% in Federal National Mortgage Association, 7% in Commercial Paper and 14% in U.S. Treasury Notes.

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

Note 4 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District’s fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012 on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 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.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2014 operations. The amount available for advance can vary based on the date the tax bills are sent.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,068,500	\$0	\$0	\$1,068,500
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	87,073,957	0	0	87,073,957
Equipment and Vehicles	<u>4,613,798</u>	<u>602,639</u>	<u>50,206</u>	<u>5,166,231</u>
Totals at Historical Cost	<u>92,756,255</u>	<u>602,639</u>	<u>50,206</u>	<u>93,308,688</u>
Less Accumulated Depreciation:				
Buildings and Improvements	13,658,509	1,773,049	0	15,431,558
Equipment and Vehicles	<u>3,397,422</u>	<u>239,657</u>	<u>50,206</u>	<u>3,586,873</u>
Total Accumulated Depreciation	<u>17,055,931</u>	<u>2,012,706</u>	<u>50,206</u>	<u>19,018,431</u>
Governmental Activities Capital Assets, Net	<u>\$75,700,324</u>	<u>(\$1,410,067)</u>	<u>\$0</u>	<u>\$74,290,257</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$985,726
Special	230,846
Vocational	393,438
Support Services:	
Pupil	95,288
School Administration	70,922
Operations and Maintenance	112,375
Pupil Transportation	73,051
Operation of Non-Instructional Services	50,240
Extracurricular Activities	820
Total Depreciation Expense	<u>\$2,012,706</u>

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 7 - Long-Term Liabilities

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
Bonds:						
2002 School Facilities Project	5.15%	\$2,990,000	\$0	\$930,000	\$2,060,000	\$1,000,000
2006 Refunding Classroom Facilities - Current Interest	3.75-4.25%	7,985,000	0	130,000	7,855,000	110,000
2006 Refunding Classroom Facilities - Capital Appreciation Bonds	4.08-4.13%	20,000	0	0	20,000	0
Interest Accretion on Capital Appreciation Bonds		1,208,692	50,495	0	1,259,187	0
Premium on 2006 Refunding Bonds		18,745	0	1,500	17,245	0
Deferred Amount on 2006 Refunding Bonds	4.86%	(548,516)	0	(43,881)	(504,635)	0
Total Bonds		11,673,921	50,495	1,017,619	10,706,797	1,110,000
Capital Lease		1,296,758	0	176,758	1,120,000	168,000
Total Long Term Debt		12,970,679	50,495	1,194,377	11,826,797	1,278,000
Compensated Absences		1,898,790	320,650	292,159	1,927,281	268,715
Total Governmental Activities		\$14,869,469	\$371,145	\$1,486,536	\$13,754,078	\$1,546,715

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

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$1,110,000	\$409,875	\$1,519,875	\$0	\$0	\$0
2015	1,175,000	346,288	1,521,288	0	0	0
2016	0	313,513	313,513	10,000	710,000	720,000
2017	0	313,513	313,513	10,000	715,000	725,000
2018	730,000	298,913	1,028,913	0	0	0
2019-2023	4,615,000	982,165	5,597,165	0	0	0
2024-2025	2,285,000	99,557	2,384,557	0	0	0
Total	\$9,915,000	\$2,763,824	\$12,678,824	\$20,000	\$1,425,000	\$1,445,000

Note 8 – Retirement Incentives

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

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Further qualifications for the Retirement Incentive are as follows:

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

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

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

The liability for fiscal year 2013 retirement incentives (bonus) is \$2,000.

Note 9 – Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. As of June 30, 2013 all of the defeased debt was paid off. The original maturities of these bonds were fiscal year 2016 through 2024 with a call date of December 1, 2012 for all outstanding bonds.

Note 10 – Capital Leases – Lessee Disclosure

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

The original amounts of \$78,790 and \$2,335,000 were capitalized as equipment and as building and improvement addition in 2010 and 2006, respectively. The District made \$176,758 in principal payments for fiscal year 2013. The principal amount owed on the leases at year end is \$1,120,000.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2013. The capital lease will be paid out of the general fund.

Fiscal Year Ending June 30	Principal
2014	\$214,021
2015	213,429
2016	212,527
2017	212,292
2018	211,705
2019	211,585
Total Minimum Lease Payments	\$1,275,559
Amount Representing Interest and Additional program cost component	(155,559)
Present Value of Minimum Lease Payments	<u>\$1,120,000</u>

Note 11 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

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

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$875,592, \$982,008, and \$942,744, respectively; contributions equaled the required contributions for each year.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

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

DB Plan Benefits

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance. Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$10,727 made by the District and \$7,662 made by the plan members. In addition, member contributions of \$38,766 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Combined Plan Benefits

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

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

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

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

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

Funding Policy

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2013, 2012, and 2011 were \$2,360,520, \$2,786,532, and \$2,877,672, respectively; 84% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Note 12- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74%. District contributions for the years ended June 30, 2013, 2012 and 2011 were \$46,281, \$52,608, and \$51,178, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2013, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$99,727, \$38,579, and \$96,295, respectively.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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

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

State Teachers Retirement System of Ohio

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$168,609, \$199,038, and \$205,548, 84% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Note 13 – Contingent Liabilities

Litigation

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 14 – Risk Management

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

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

Note 15 – Set-Aside Calculation

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

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

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2012	\$0
Current Year Set Aside Requirements	612,391
Qualified Disbursements	(704,026)
Set Aside Reserve Balance as of June 30, 2013	<u>(91,635)</u>
Restricted Cash as of June 30, 2013	<u>\$0</u>
Carried Forward as of June 30, 2013	(\$14,423,465)

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

**Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013**

Note 16 – Interfund Transactions

Interfund transactions at June 30, 2013, consisted of the following interfund receivables and interfund payables:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$177,289	\$0	\$0	\$157,759
Other Governmental Funds	14,366	191,655	157,759	0
Total All Funds	<u>\$191,655</u>	<u>\$191,655</u>	<u>\$157,759</u>	<u>\$157,759</u>

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

Note 17 – Accountability

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

Fund	Amounts
Special Revenue Funds:	
Special Education	\$5,861
Miscellaneous State Grants	5,819
Title I Sub A	2,716

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

Note 18 – Jointly Governed Organizations

Metropolitan Dayton Educational Computer Association

The Metropolitan Dayton Educational Computer Association (MDECA) is a jointly governed organization consisting of Dayton area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MDECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District made payments of \$62,630 to MDECA in fiscal year 2013.

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (EPC) is a council of governments with over 40 years of shared services experience, pooling the purchasing power of over 130 Ohio School Districts. Member districts benefit from the EPC's ability to aggregate volumes on goods and services such as health insurance; liability, fleet and property insurance; utilities; group rating; as well as food; classroom and office supplies; furniture; medical supplies and much more. The District made payments of \$1,674 to EPC in fiscal year 2013.

Montgomery County Educational Service Center

The Montgomery County Educational Service Center (MCESC) supports a system for strong collaborative linkages of the major stakeholders: districts, educational providers, students, parents, and the public at large. Through these combined efforts, the Center works actively to support the schools' continuous improvement processes by offering a broad range of quality services and programs. These cooperative efforts are designed to strengthen the capacity of the districts to achieve quality and cost-effective programs. The District made payments of \$789,686 to MCESC in fiscal year 2013.

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

Insurance Purchasing Pool

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

Public Entity Shared Risk Pool

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

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 20 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Inventory	\$0	\$17,755	\$17,755
Total Nonspendable	0	17,755	17,755
Restricted for:			
Other Grants	0	23,136	23,136
Student Activity	0	348,636	348,636
Auxiliary Services	0	14,368	14,368
Career Development	0	3,229	3,229
Title VI	0	1,115	1,115
Race to the Top	0	7,187	7,187
Vocational Education	0	1,223	1,223
Title I	0	27,705	27,705
Improving Teacher Quality	0	13,009	13,009
IDEA Preschool	0	67	67
Education Jobs	0	1,017	1,017
Miscellaneous Federal Grants	0	4	4
Food Service	0	256,593	256,593
Classroom Facilities Maintenance	0	402,205	402,205
Debt Service	0	699,970	699,970
OSFC Local Initiative	0	639,672	639,672
Capital Outlay	0	1,112,981	1,112,981
Total Restricted	0	3,552,117	3,552,117
Committed to:			
Termination Benefits	252,634	0	252,634
Total Committed	252,634	0	252,634
Assigned to:			
Encumbrances	127,685	0	127,685
Budgetary Resource	346,746	0	346,746
Public Schools	108,135	0	108,135
Total Assigned	582,566	0	582,566
Unassigned (Deficit)	8,193,812	(14,396)	8,179,416
Total Fund Balance	\$9,029,012	\$3,555,476	\$12,584,488

Mad River Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 21 – Change in Accounting Principles

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, GASB Statement No. 61, The Financial Reporting Entity: Omnibus; an amendment of GASB Statements NO. 14 and No. 34, GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 60 establishes guidance for accounting and financial reporting for service concession arrangements. GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units, and certain disclosure requirements. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and net position. The implementation of these GASB Statements had no impact on beginning of year fund balance/net position.

Mad River Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$8,462,218	\$8,706,086	\$8,706,086	\$0
Tuition and Fees	2,217,958	2,281,876	2,281,876	0
Investment Earnings	50,919	52,386	52,386	0
Intergovernmental	23,508,535	24,186,014	24,186,014	0
Charges for Services	14,605	15,026	15,026	0
Other Revenues	228,683	235,273	235,273	0
Total Revenues	<u>34,482,918</u>	<u>35,476,661</u>	<u>35,476,661</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,050,595	14,179,722	13,766,290	413,432
Special	3,187,092	3,216,382	3,122,603	93,779
Vocational	1,803,527	1,820,102	1,767,034	53,068
Student Intervention Services	1,332,879	1,345,128	1,305,909	39,219
Support Services:				
Pupil	2,615,592	2,639,630	2,562,667	76,963
Instructional Staff	2,302,735	2,323,898	2,256,141	67,757
General Administration	89,538	90,361	87,726	2,635
School Administration	2,455,126	2,477,689	2,405,448	72,241
Fiscal	582,150	587,500	570,371	17,129
Operations and Maintenance	3,704,089	3,738,130	3,629,139	108,991
Pupil Transportation	1,590,667	1,605,286	1,558,481	46,805
Central	253,604	255,934	248,472	7,462
Operation of Non-Instructional Services	3,854	3,889	3,776	113
Extracurricular Activities	492,292	496,816	482,331	14,485
Capital Outlay	224,978	227,046	220,426	6,620
Total Expenditures	<u>34,688,718</u>	<u>35,007,513</u>	<u>33,986,814</u>	<u>1,020,699</u>
Excess of Revenues Over (Under) Expenditures	<u>(205,800)</u>	<u>469,148</u>	<u>1,489,847</u>	<u>1,020,699</u>
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	5,441	5,598	5,598	0
Transfers In	7,926	8,154	8,154	0
Transfers (Out)	(255,163)	(257,508)	(250,000)	7,508
Total Other Financing Sources (Uses)	<u>(241,796)</u>	<u>(243,756)</u>	<u>(236,248)</u>	<u>7,508</u>
Net Change in Fund Balance	(447,596)	225,392	1,253,599	1,028,207
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>9,624,717</u>	<u>9,624,717</u>	<u>9,624,717</u>	<u>0</u>
Fund Balance - End of Year	<u>\$9,177,121</u>	<u>\$9,850,109</u>	<u>\$10,878,316</u>	<u>\$1,028,207</u>

See accompanying notes to the required supplementary information.

Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2013

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2013.

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

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

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

Mad River Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2013

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,593,859
Revenue Accruals	(193,770)
Expenditure Accruals	93,182
Transfers In	8,154
Transfers Out	(92,241)
Encumbrances	<u>(155,585)</u>
Budget Basis	<u><u>\$1,253,599</u></u>

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**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$83,447		\$83,447
Cash Assistance:					
School Breakfast Program	10.553	\$222,129		\$222,129	
National School Lunch Program	10.555	1,030,947		1,030,947	
Summer Food Service Program for Children	10.559	86,793		86,793	
Total Child Nutrition Cluster		<u>1,339,869</u>	<u>83,447</u>	<u>1,339,869</u>	<u>83,447</u>
Total U.S. Department of Agriculture		<u>1,339,869</u>	<u>83,447</u>	<u>1,339,869</u>	<u>83,447</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	865,773		941,281	
ARRA - Title I Grants to Local Educational Agencies	84.389	1,468		1,468	
Total Title I, Part A Cluster		<u>867,241</u>		<u>942,749</u>	
Special Education Cluster (IDEA):					
Special Education Grants to States	84.027	765,414		771,341	
Special Education Preschool Grants	84.173	20,126		20,126	
Total Special Education Cluster (IDEA)		<u>785,540</u>		<u>791,467</u>	
Career and Technical Education - Basic Grants to States	84.048	70,394		51,255	
Education Technology State Grants	84.318	5,067		4,240	
Improving Teacher Quality State Grants	84.367	112,523		123,188	
ARRA - State Fiscal Stabilization (SFSF) - Race to the Top Incentive Grants	84.395	130,084		117,204	
Education Jobs Fund	84.410	54,386		999	
<i>Direct Aid</i>					
Impact Aid	84.041	1,090,810		1,090,810	
Total U.S. Department of Education		<u>3,116,045</u>		<u>3,121,912</u>	
ENVIRONMENTAL PROTECTION AGENCY					
<i>Passed Through Ohio EPA</i>					
ARRA - State Clean Diesel Grant Program	66.040	25,207			
Total Environmental Protection Agency		<u>25,207</u>			
Total		<u>\$4,481,121</u>	<u>\$83,447</u>	<u>\$4,461,781</u>	<u>\$83,447</u>

The accompanying notes are an integral part of this schedule.

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – IMPACT AID

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mad River Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

December 27, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Mad River Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Mad River Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Mad River Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

December 27, 2013

**MAD RIVER LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<p>Child Nutrition Cluster: School Breakfast Program (10.553) National School Lunch Program (10.555) Summer Food Service Program for Children (10.559)</p> <p>ARRA – State Fiscal Stabilization Fund (SFSF) – Race to the Top Incentive Grant (84.395)</p> <p>Title I Cluster: Title I Grants to Local Educational Agencies (84.010) ARRA – Title I Grants to Local Educational Agencies (84.389)</p>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

Independent Auditor's Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Mad River Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on June 28, 2012 to include prohibiting harassment, intimidation, or bullying of any student “on a school bus” or by an “electronic act”.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 27, 2013

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Dave Yost • Auditor of State

MAD RIVER LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2014**