



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 3018**

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**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Mad River Local School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2018, 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 such 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.

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### **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 the Mad River Local School District, Montgomery County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 21 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits other than Pensions*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2019 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State  
Columbus, Ohio

March 20, 2019

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**Mad River Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

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The discussion and analysis of Mad River Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. 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 2018 are as follows:

- Net position of governmental activities increased \$21,245,559 which represents a 467% increase from 2017.
- General revenues accounted for \$34,595,757 in revenue or 67% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$16,934,644 or 33% of total revenues of \$51,530,401.
- The District had \$30,284,842 in expenses related to governmental activities; \$16,934,644 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$34,595,757 were also used to provide for these programs.

**Overview of the Financial Statements**

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

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

**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows*, and *liabilities and deferred inflows* 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.

**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

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These two statements report the District's net position and changes in the net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial 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 funds 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.

**The District as a Whole**

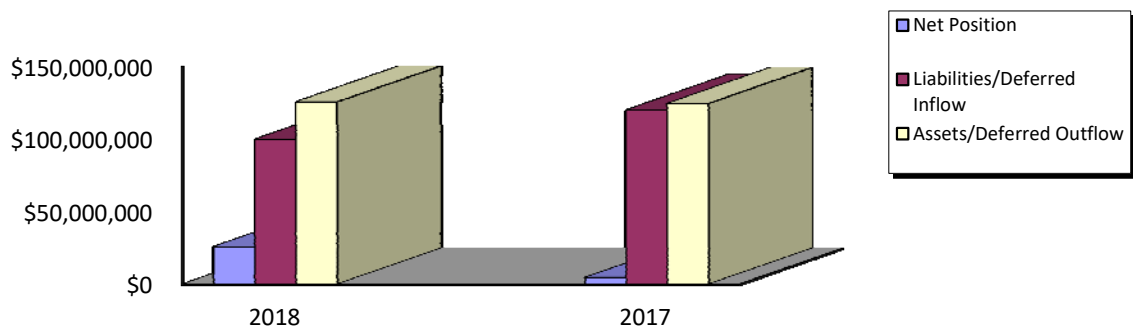
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2018 compared to 2017:

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**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

Table 1  
Net Position

	Governmental Activities	
	2018	2017-Restated
<b>Assets:</b>		
Current and Other Assets	\$35,747,530	\$35,775,258
Capital Assets	68,621,361	70,264,884
<b>Total Assets</b>	<b>104,368,891</b>	<b>106,040,142</b>
<b>Deferred Outflows of Resources:</b>		
Deferred Charge on Refunding	435,076	497,230
OPEB	822,481	112,339
Pension	19,962,296	17,801,778
<b>Total Deferred Outflows of Resources</b>	<b>21,219,853</b>	<b>18,411,347</b>
<b>Liabilities:</b>		
Other Liabilities	5,781,927	5,791,487
Long-Term Liabilities	80,870,264	104,535,104
<b>Total Liabilities</b>	<b>86,652,191</b>	<b>110,326,591</b>
<b>Deferred Inflows of Resources:</b>		
Property Taxes	9,590,249	9,442,720
Revenue in Lieu of Taxes	158,024	135,614
OPEB	1,449,561	0
Pension	1,946,596	0
<b>Total Deferred Inflows of Resources</b>	<b>13,144,430</b>	<b>9,578,334</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	61,606,521	62,191,416
Restricted	2,467,638	2,387,947
Unrestricted	(38,282,036)	(60,032,799)
<b>Total Net Position</b>	<b>\$25,792,123</b>	<b>\$4,546,564</b>



**Mad River Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

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The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

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

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$20,028,742 to \$4,546,564.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,792,123.

At year-end, capital assets represented 66% of total assets. Capital assets include land, buildings and improvements, and equipment and vehicles. Net investment in capital assets at June 30, 2018, was \$61,606,521. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,467,638 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets decreased mainly due to a decrease in capital assets. Long-term liabilities decreased due to a decrease in net pension liability.

Table 2 shows the changes in net position for fiscal years 2018 and 2017.

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**Mad River Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
(Unaudited)

Table 2  
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues		
Charges for Services	\$6,785,535	\$6,776,700
Operating Grants, Contributions	10,149,109	10,162,840
General Revenues:		
Property Taxes	10,380,097	10,736,382
Grants and Entitlements	23,588,623	23,469,679
Investment Earnings	155,274	25,892
Other	471,763	404,695
<b>Total Revenues</b>	<b>51,530,401</b>	<b>51,576,188</b>
Program Expenses:		
Instruction	18,795,895	33,602,262
Support Services:		
Pupil and Instructional Staff	3,081,875	5,218,197
School Administration, General		
Administration, and Fiscal	1,549,157	4,280,907
Operations and Maintenance	2,703,969	4,427,443
Pupil Transportation	974,215	1,987,610
Central	290,116	580,354
Operation of Non-Instructional Services	2,129,411	3,373,714
Extracurricular Activities	531,340	981,891
Interest and Fiscal Charges	228,864	293,816
<b>Total Program Expenses</b>	<b>30,284,842</b>	<b>54,746,194</b>
<b>Change in Net Position</b>	<b>21,245,559</b>	<b>(3,170,006)</b>
Net Position - Beginning of Year, Restated	4,546,564	N/A
<b>Net Position - End of Year</b>	<b>\$25,792,123</b>	<b>\$4,546,564</b>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$112,339 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$1,876,913. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

Total 2018 operating expenses under GASB 75	\$30,284,842
Negative OPEB expense under GASB 75	1,876,913
2018 contractually required contribution	142,501
Adjusted 2018 operating expenses	32,304,256
Total 2017 operating expenses under GASB 45	54,746,194
Change in operating expenses not related to OPEB	(\$22,441,938)

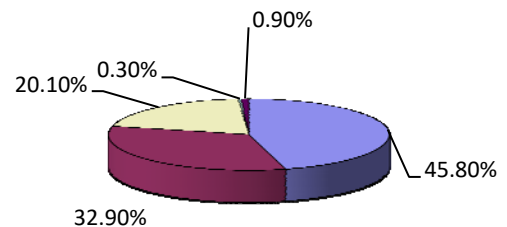
**Governmental Activities**

The District revenues are mainly from two sources. Property taxes levied for general, special revenue, and debt service purposes, and grants and entitlements comprised 66% 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 20% of revenue for governmental activities for the District in fiscal year 2018.

Revenue Sources	2018	Percent of Total
General Grants	\$23,588,623	45.8%
Program Revenues	16,934,644	32.9%
General Tax Revenues	10,380,097	20.1%
Investment Earnings	155,274	0.3%
Other Revenues	471,763	0.9%
	\$51,530,401	100.0%



Instruction comprises 62% of governmental program expenses. Support services expenses were 28% of governmental program expenses. All other expenses including interest and fiscal charges were 10%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Total revenues decreased slightly due to a decrease in general tax revenues. Total expenses decreased mainly due to changes related to net pension liability and other post employment benefits liability.

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, 2018**  
(Unaudited)

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$18,795,895	\$33,602,262	(\$6,096,860)	(\$20,735,256)
Support Services:				
Pupil and Instructional Staff	3,081,875	5,218,197	(2,796,387)	(5,203,002)
School Administration, General				
Administration, and Fiscal	1,549,157	4,280,907	(1,548,455)	(4,280,163)
Operations and Maintenance	2,703,969	4,427,443	(2,538,029)	(4,261,170)
Pupil Transportation	974,215	1,987,610	(344,544)	(1,335,339)
Central	290,116	580,354	(287,324)	(579,221)
Operation of Non-Instructional Services	2,129,411	3,373,714	840,273	(325,637)
Extracurricular Activities	531,340	981,891	(350,008)	(793,050)
Interest and Fiscal Charges	228,864	293,816	(228,864)	(293,816)
Total Expenses	<u>\$30,284,842</u>	<u>\$54,746,194</u>	<u>(\$13,350,198)</u>	<u>(\$37,806,654)</u>

**The District's Funds**

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$31,383,897(87%) of the total \$36,006,683 governmental funds assets.

**General Fund:** Fund balance at June 30, 2018 was \$16,772,221, a decrease in fund balance of \$357,781 from 2017. The primary reason for the decrease in the fund balance was due to a decrease in property tax revenues and increase in instructional expenditures.

**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 2018, 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 \$43,773,440, compared to final budget estimates of \$43,743,288. The difference between the final budget basis and actual revenue was \$20,792, which was mostly due to underestimating taxes and intergovernmental revenue estimates. The District's ending unobligated cash balance was \$19,025,495.



**Mad River Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018, the District had \$68,621,361 invested in land, buildings and improvements, equipment and vehicles. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

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

	Governmental Activities	
	2018	2017
Land	\$1,068,500	\$1,068,500
Buildings and Improvements	63,820,087	65,603,458
Equipment and Vehicles	3,732,774	3,592,926
Total Net Capital Assets	<u>\$68,621,361</u>	<u>\$70,264,884</u>

Overall, net capital assets decreased mainly due to current depreciation expense and disposals 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, 2018, the District had \$7,449,916 in bonds and capital leases outstanding, \$1,208,795 due within one year. Table 5 summarizes debt outstanding.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities	
	2018	2017
Bonds and Leases Payables:		
Refunding Bonds:		
2016 Classroom Facilities	\$ 6,820,000	\$ 7,610,000
Capital Leases	629,916	960,698
Total Bonds and Leases	<u>\$7,449,916</u>	<u>\$8,570,698</u>

See Notes 7 and 9 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, 2018  
(Unaudited)**

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**For the Future**

The economic climate at this time is that the national economy is growing at approximately 3% but growth locally has been a little slower. The housing sector has now recovered from the decline which began in 2008. The Montgomery County Auditor's completed a new triannual reappraisal of property in 2017 and values for the District rose 1.89%. While the percentage increase is small, it is a reversal of declining values in the prior two triannual reappraisal cycles. The increased value was expected to produce a slight increase in property tax revenue of \$27,925 in FY18 but collection problems actually reduced total collections for FY18. New construction within the District had been non-existent but one new housing subdivision is under construction and is almost sold out.

The District's native enrollment has been declining since 2009 but the district has maintained total enrollment of around 3,900 by opening enrollment to students outside the district. There were 749 open enrollment students in FY18 and over 765 have enrolled for FY19. The District is funded on a per-student basis and is not on the "guarantee" for Foundation funding. Open enrollment brought in over \$4,432,207 in funding in addition to the regular State foundation funding of \$26,068,999 in FY18. The FY19 State foundation funding is only expected to increase by approximately 1%.

Real Estate Tax revenues for the District have been relatively flat in recent years. The most recent new operating levy was passed in 2012. The County Auditors tri-annual reappraisal in 2014 lowered appraised property values by 9%, but the 2017 reappraisal increased values by 1.89%. Total real estate taxes collected in FY18 for the general fund were \$9,224,432 which was down \$211,368 from the previous year.

The General fund cash balance at June 30, 2018 was \$19,352,709. The District had been running a surplus for the previous five fiscal years, but FY18 saw a decrease in General fund cash balance of \$365,185 from FY17. Although the District has increased its reserves significantly in the last six years, the growth rate in operating expenses are surpassing the growth in revenue. No new tax levies are planned in the latest Five Year Forecast. State Foundation funding will be less in the FY18 & FY19 biennium than it has been in the past five years. Therefore, if no changes are made, deficit spending is projected for each year of the Five Year Forecast, with reserves expected to be around \$755,056 at the end of FY22. In reality, reductions in expenses will likely be made to avoid spending down the reserve below an acceptable level.

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 the Treasurer, Jerry Ellender, at Mad River Local School District, 801 Old Harshman Road, Riverside, Ohio 45431, by phone at 937-259-6610 or by e-mail at [jerry.ellender@madriverschools.org](mailto:jerry.ellender@madriverschools.org).

Mad River Local School District, Ohio  
Statement of Net Position  
June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$23,863,465
Receivables (Net):	
Taxes	10,990,103
Accounts	86,059
Interest	41,581
Intergovernmental	679,711
Prepays	68,016
Inventory	18,595
Nondepreciable Capital Assets	1,068,500
Depreciable Capital Assets, Net	<u>67,552,861</u>
 Total Assets	 <u>104,368,891</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	435,076
OPEB	19,962,296
	<u>822,481</u>
 Total Deferred Outflows of Resources	 <u>21,219,853</u>
Liabilities:	
Accounts Payable	157,407
Accrued Wages and Benefits	5,613,828
Accrued Interest Payable	10,692
Long-Term Liabilities:	
Due Within One Year	1,500,987
Due In More Than One Year:	
Net Pension Liability	57,100,913
Net OPEB Liability	12,835,684
Other Amounts	<u>9,432,680</u>
 Total Liabilities	 <u>86,652,191</u>
Deferred Inflows of Resources:	
Property Taxes	9,590,249
Revenue in Lieu of Taxes	158,024
Pension	1,946,596
OPEB	<u>1,449,561</u>
 Total Deferred Inflows of Resources	 <u>13,144,430</u>
Net Position:	
Net Investment in Capital Assets	61,606,521
Restricted for:	
Debt Service	1,248,455
Capital Projects	480,288
Food Service	52,565
Classroom Facilities Maintenance	330,191
District Managed Student Activities	260,673
State Grants	3,229
Federal Grants	6,895
Other Purposes	85,342
Unrestricted	<u>(38,282,036)</u>
 Total Net Position	 <u>\$25,792,123</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, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$10,633,880	\$5,000,231	\$1,221,622	(\$4,412,027)
Special	4,723,960	456,381	4,415,759	148,180
Vocational	1,828,555	0	1,605,042	(223,513)
Other	1,609,500	0	0	(1,609,500)
<b>Support Services:</b>				
Pupil	2,018,887	0	0	(2,018,887)
Instructional Staff	1,062,988	0	285,488	(777,500)
General Administration	126,650	0	0	(126,650)
School Administration	1,091,572	0	0	(1,091,572)
Fiscal	330,935	0	702	(330,233)
Operations and Maintenance	2,703,969	18,068	147,872	(2,538,029)
Pupil Transportation	974,215	526,932	102,739	(344,544)
Central	290,116	0	2,792	(287,324)
Operation of Non-Instructional Services	2,129,411	602,591	2,367,093	840,273
Extracurricular Activities	531,340	181,332	0	(350,008)
Interest and Fiscal Charges	228,864	0	0	(228,864)
<b>Totals</b>	<b>\$30,284,842</b>	<b>\$6,785,535</b>	<b>\$10,149,109</b>	<b>(13,350,198)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	9,189,437
Special Revenue Purposes	95,161
Debt Service Purposes	1,095,499
Grants and Entitlements, Not Restricted	23,588,623
Revenue in Lieu of Taxes	165,076
Unrestricted Contributions	177,438
Investment Earnings	155,274
Other Revenues	129,249

Total General Revenues 34,595,757

Change in Net Position 21,245,559

Net Position - Beginning of Year, Restated 4,546,564

Net Position - End of Year \$25,792,123

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$21,090,509	\$2,772,956	\$23,863,465
<b>Receivables (Net):</b>			
Taxes	9,710,090	1,280,013	10,990,103
Accounts	77,395	8,664	86,059
Interest	41,581	0	41,581
Intergovernmental	158,024	521,687	679,711
Interfund	244,787	14,366	259,153
Prepays	61,511	6,505	68,016
Inventory	0	18,595	18,595
<b>Total Assets</b>	<b><u>31,383,897</u></b>	<b><u>4,622,786</u></b>	<b><u>36,006,683</u></b>
<b>Liabilities:</b>			
Accounts Payable	126,923	30,484	157,407
Accrued Wages and Benefits	5,036,073	577,755	5,613,828
Compensated Absences	68,491	0	68,491
Interfund Payable	0	259,153	259,153
<b>Total Liabilities</b>	<b><u>5,231,487</u></b>	<b><u>867,392</u></b>	<b><u>6,098,879</u></b>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	8,477,328	1,112,921	9,590,249
Revenue in Lieu of Taxes	158,024	0	158,024
Grants and Other Taxes	0	188,859	188,859
Investment Earnings	9,486	0	9,486
Unavailable Revenue	735,351	100,290	835,641
<b>Total Deferred Inflows of Resources</b>	<b><u>9,380,189</u></b>	<b><u>1,402,070</u></b>	<b><u>10,782,259</u></b>
<b>Fund Balances:</b>			
Nonspendable	61,511	6,505	68,016
Restricted	0	2,521,395	2,521,395
Committed	821,000	0	821,000
Assigned	3,515,876	0	3,515,876
Unassigned	12,373,834	(174,576)	12,199,258
<b>Total Fund Balances</b>	<b><u>16,772,221</u></b>	<b><u>2,353,324</u></b>	<b><u>19,125,545</u></b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b><u>\$31,383,897</u></b>	<b><u>\$4,622,786</u></b>	<b><u>\$36,006,683</u></b>

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2018

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Total Governmental Fund Balance		\$19,125,545
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		68,621,361
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	835,641	
Interest	9,486	
Intergovernmental	<u>188,859</u>	
		1,033,986
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.		
		(10,692)
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		(3,415,260)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		435,076
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	19,962,296	
Deferred inflows of resources related to pensions	(1,946,596)	
Deferred outflows of resources related to OPEB	822,481	
Deferred inflows of resources related to OPEB	<u>(1,449,561)</u>	
		17,388,620
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(57,100,913)	
Net OPEB Liability	(12,835,684)	
Other Amounts	<u>(7,449,916)</u>	
		<u>(77,386,513)</u>
Net Position of Governmental Activities		<u>\$25,792,123</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, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$9,224,432	\$1,191,319	\$10,415,751
Tuition and Fees	5,876,930	0	5,876,930
Investment Earnings	145,788	0	145,788
Intergovernmental	28,861,354	4,830,582	33,691,936
Extracurricular Activities	109,960	177,988	287,948
Charges for Services	0	602,591	602,591
Revenue in Lieu of Taxes	165,076	0	165,076
Other Revenues	286,755	20,669	307,424
<b>Total Revenues</b>	<b>44,670,295</b>	<b>6,823,149</b>	<b>51,493,444</b>
Expenditures:			
Current:			
Instruction:			
Regular	18,428,187	59,654	18,487,841
Special	6,340,774	1,692,274	8,033,048
Vocational	2,297,253	68,419	2,365,672
Other	1,693,339	0	1,693,339
Support Services:			
Pupil	3,383,850	0	3,383,850
Instructional Staff	1,650,647	296,120	1,946,767
General Administration	139,779	0	139,779
School Administration	2,996,770	0	2,996,770
Fiscal	637,341	16,502	653,843
Operations and Maintenance	4,029,760	386,200	4,415,960
Pupil Transportation	1,992,491	0	1,992,491
Central	571,627	10,966	582,593
Operation of Non-Instructional Services	0	2,945,300	2,945,300
Extracurricular Activities	621,736	194,134	815,870
Debt Service:			
Principal Retirement	330,782	790,000	1,120,782
Interest and Fiscal Charges	34,576	133,478	168,054
<b>Total Expenditures</b>	<b>45,148,912</b>	<b>6,593,047</b>	<b>51,741,959</b>
Excess of Revenues Over (Under) Expenditures	(478,617)	230,102	(248,515)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	46,013	0	46,013
Transfers In	74,823	0	74,823
Transfers (Out)	0	(74,823)	(74,823)
<b>Total Other Financing Sources (Uses)</b>	<b>120,836</b>	<b>(74,823)</b>	<b>46,013</b>
Net Change in Fund Balance	(357,781)	155,279	(202,502)
Fund Balance - Beginning of Year	17,130,002	2,198,045	19,328,047
Fund Balance - End of Year	\$16,772,221	\$2,353,324	\$19,125,545

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, 2018

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Net Change in Fund Balance - Total Governmental Funds (\$202,502)

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	838,867	
Depreciation Expense	(2,453,706)	
		(1,614,839)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the net book value. (28,684)

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

District pension contributions	4,050,210	
Cost of benefits earned net of employee contributions - Pension	16,582,251	
District OPEB contributions	142,501	
Cost of benefits earned net of employee contributions - OPEB	1,876,913	
		22,651,875

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

Delinquent Property Taxes	(35,654)	
Interest	9,486	
Intergovernmental	45,796	
		19,628

Repayment of bond principal, current bonds refundings, and accreted interest are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,120,782

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 1,344

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	(639,891)	
Amortization of Deferred Charge on Refunding	(62,154)	
		(702,045)

Change in Net Position of Governmental Activities \$21,245,559

See accompanying notes to the basic financial statements.



Mad River Local School District, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	\$6,673	\$75,985
Total Assets	<u>6,673</u>	<u>75,985</u>
Liabilities:		
Accounts Payable	0	695
Other Liabilities	<u>0</u>	<u>75,290</u>
Total Liabilities	<u>0</u>	<u>\$75,985</u>
Net Position:		
Held in Trust	<u>6,673</u>	
Total Net Position	<u><u>\$6,673</u></u>	

See accompanying notes to the basic financial statements.

Mad River Local School District, Ohio  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2018

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	Private Purpose Trust
Additions:	
Donations	<u>\$2,379</u>
Total Additions	<u>2,379</u>
Deductions:	
Other	<u>2,000</u>
Total Deductions	<u>2,000</u>
Change in Net Position	379
Net Position - Beginning of Year	<u>6,294</u>
Net Position - End of Year	<u>\$6,673</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, 2018**

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**Note 1 – Description of the District**

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The Mad River Local School District (the “District”) is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 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] Statements 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, one insurance purchasing pool, and one public entity shared risk pool. These organizations are:

Jointly Governed Organizations:

Montgomery County Educational Service Center  
META Solutions  
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation GRP

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Employee Benefit Plan Trust

These organizations are presented in Notes 17 and 18.

**Note 2 – Summary of Significant Accounting Policies**

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

**Mad River Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2018**

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**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, deferred outflows, liabilities, and deferred inflows 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 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 deferred outflows, and liabilities and deferred inflows is reported as fund balance. The following is the District's major governmental fund:

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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

**Fiduciary Funds**

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

**Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension, OPEB, and a deferred charge on refunding are reported on the governmental-wide statement of net position. For more pension and OPEB plans related information, see Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, revenue in lieu of taxes (tax incremental financing), grants and other taxes, pension, OPEB, investment earnings, and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Revenue in lieu of taxes (TIF) has been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes, and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents delinquent property taxes. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows related to pension and OPEB plans are reported on the governmental-wide statement of net position. For more pension and OPEB related information, see Notes 10 and 11.

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.

During fiscal year 2018, investments were limited to Federal Farm Credit Banks (FFCB), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), negotiable certificates of deposit (negotiable CDs), U.S. government money market mutual funds, commercial paper and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for STAR Ohio, investments are reported at fair value.

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
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During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2018 amounted to \$145,788 in the general fund.

**Inventory**

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

**Capital Assets**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 75 years
Equipment and Vehicles	3 - 20 years

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditures/expense is reported in the year in which services are consumed.

**Mad River Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2018**

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**Pensions/Other Postemployment Benefits (OPEB)**

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

**Compensated Absences**

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

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

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

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

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



**Mad River Local School District  
Notes to the Basic Financial Statements  
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Maximum Accumulation	328 days	328 days	328 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/4 paid upon retirement	1/4 paid upon retirement	1/4 paid upon retirement

**Net Position**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$2,467,638 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 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 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.

**Fund Balance**

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

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

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

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
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Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

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

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Estimates**

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

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

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

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

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

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

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

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
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- (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 (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

### **Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, \$2,954,074 of the District's bank balance of \$3,204,074 was exposed to custodial credit risk because it was uninsured and collateralized.

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

**Investments**

As of June 30, 2018, the District had the following investments:

	<u>Fair Value</u>	<u>Hierarchy</u>	<u>Maturity (Years)</u>
Money Market Funds	\$2,127,916	Level 1	0.00
Federal Farm Credit Bank	978,960	Level 2	1.86
Federal Home Loan Bank	983,930	Level 2	2.66
Federal Home Loan Mortgage Corporation	4,334,480	Level 2	4.78
Negotiable Certificates of Deposit	4,121,467	Level 2	2.05
Commercial Paper	8,620,401	Level 2	0.20
STAROhio	25,056	Amortized Cost	0.00
Total Investments	<u>\$21,192,210</u>		
Portfolio Weighted Average Maturity			1.67

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2018. All investments of the District except STAR Ohio are valued using quoted market prices.

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, and Federal Farm Credit Bank were rated AA+ by Standard and Poor's ratings and Aaa by Moody's Investors Service. Commercial Paper was rated A-1+ by Standard & Poor's. STAR Ohio was rated AAAM by Standard and Poor's. Negotiable CDs and Money Market Funds were not rated.

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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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 10% of the District’s investments in Money Market Funds, 5% in Federal Home Loan Bank, 20% in Federal Home Loan Mortgage Corporation, 5% in Federal Farm Credit Bank, 41% in Commercial Paper, and 19% Negotiable Certificates of Deposit.

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

**Note 4 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017 on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, 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, 2018, are available to finance fiscal year 2019 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2018 and for which there is an enforceable legal claim. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2018. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflow of resources for that portion not intended to finance current year operations.

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2018 First Half Amount	2017 Second Half Amount
Agricultural/Residential and Other Real Estate	\$220,697,510	\$216,398,640
Public Utility Personal	12,596,260	12,208,650
Total	<u>\$233,293,770</u>	<u>\$228,607,290</u>

**Note 5 – Receivables**

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Receivables at June 30, 2018, consisted of taxes, accounts, interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**Note 6 – Capital Assets**

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Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$1,068,500	\$0	\$0	\$1,068,500
<b>Capital Assets, being depreciated:</b>				
Buildings and Improvements	88,171,521	0	0	88,171,521
Equipment and vehicles	7,191,067	838,867	132,332	7,897,602
Totals at Historical Cost	<u>96,431,088</u>	<u>838,867</u>	<u>132,332</u>	<u>97,137,623</u>
Less Accumulated Depreciation:				
Buildings and Improvements	22,568,063	1,783,371	0	24,351,434
Equipment and Vehicles	3,598,141	670,335	103,648	4,164,828
Total Accumulated Depreciation	<u>26,166,204</u>	<u>2,453,706</u>	<u>103,648</u>	<u>28,516,262</u>
Governmental Activities Capital Assets, Net	<u>\$70,264,884</u>	<u>(\$1,614,839)</u>	<u>\$28,684</u>	<u>\$68,621,361</u>

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,089,901
Special	232,673
Vocational	475,683
Other Instruction	904
Support Services:	
Pupil	83,063
School Administration	71,335
Operations and Maintenance	163,745
Pupil Transportation	187,110
Operation of Non-Instructional Services	71,539
Extracurricular Activities	77,753
Total Depreciation Expense	<u><u>\$2,453,706</u></u>

**Note 7 - Long-Term Liabilities**

	Interest Rate	Restated Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
<b>Governmental Activities:</b>						
Bonds:						
2016 Refunding Classroom Facilities -Current Interest	1.85%	\$7,610,000	\$0	\$790,000	\$6,820,000	\$865,000
Subtotal Bonds		7,610,000	0	790,000	6,820,000	865,000
Capital Leases	3.0-4.47%	960,698	0	330,782	629,916	343,795
Compensated Absences		2,850,437	916,648	283,334	3,483,751	292,192
Subtotal Bonds and Other Amounts		11,421,135	916,648	1,404,116	10,933,667	1,500,987
Net Pension Liability:						
STRS		63,872,747	0	18,574,323	45,298,424	0
SERS		13,646,705	0	1,844,216	11,802,489	0
Subtotal Net Pension Liability		77,519,452	0	20,418,539	57,100,913	0
Net OPEB Liability:						
STRS		10,205,030	0	2,765,075	7,439,955	0
SERS		5,389,487	6,242	0	5,395,729	0
Subtotal Net OPEB Liability		15,594,517	6,242	2,765,075	12,835,684	0
Total Long Term Obligations		<u>\$104,535,104</u>	<u>\$922,890</u>	<u>\$24,587,730</u>	<u>\$80,870,264</u>	<u>\$1,500,987</u>

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

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

On March 3, 2016 the District issued \$7,630,000 in Current Interest Bonds with an interest rate of 1.85%. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issues.

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
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Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2019	\$865,000	\$118,169	\$983,169
2020	885,000	101,982	986,982
2021	915,000	85,332	1,000,332
2022	995,000	67,664	1,062,664
2023	1,010,000	49,118	1,059,118
2024-2025	2,150,000	40,608	2,190,608
Total	<u>\$6,820,000</u>	<u>\$462,873</u>	<u>\$7,282,873</u>

**Note 8 – Retirement Incentives**

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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.

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.

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 the 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 within 90 days of the retiree providing verification of retirement.

The liability for fiscal year 2018 retirement incentives (bonus) is \$10,000.



**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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**Note 9 – Capital Leases – Lessee Disclosure**

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

The original amount of \$2,335,000 was capitalized as building and improvement addition in 2006. The District made \$198,000 in principal payments for fiscal year 2018. The principal amount owed on the lease at year end is \$207,000.

In fiscal year 2014, the District entered into a capital lease for a transportation garage. The original amount of \$932,271 was capitalized as a building and improvement addition in 2015. The District made \$132,782 in principal payments for fiscal year 2018. The principal amount owed on the lease at year end is \$422,916.

In fiscal year 2016, the District entered into a capital lease for buses with the Montgomery County Educational Service Center. The lease is a related party lease and is not a market value lease as the District is leasing ten buses for one dollar each.

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, 2018. The capital leases will be paid out of the general fund.

Fiscal Year Ending June 30	
2019	\$360,049
2020	148,465
2021	<u>148,466</u>
Total Minimum Lease Payments	656,980
Amount Representing Interest and	(\$26,909)
Additional program cost component	<u>(155)</u>
Present Value of Minimum Lease Payments	<u><u>\$629,916</u></u>

**Note 10 - Defined Benefit Pension Plans**

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**Net Pension Liability**

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

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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

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

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

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

**Plan Description - School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

**Mad River Local School District**  
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Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.20% for the first thirty years of service and 2.50% for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

Post-Retirement Increases – Before January 1, 2018; on each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit. On or after January 1, 2018; on each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLA's shall be suspended for calendar years 2018, 2019, and 2020.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the employer is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$884,874 for fiscal year 2018. Of this amount \$86,118 is reported as accrued wages and benefits.

**Plan Description - State Teachers Retirement System (STRS)**

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The employer was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was \$3,165,336 for fiscal year 2018. Of this amount \$540,072 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$11,802,489	\$45,298,424	\$57,100,913
Proportion of the Net Pension Liability:			
Current Measurement Date	0.19753850%	0.19068834%	
Prior Measurement Date	<u>0.18645390%</u>	<u>0.19081863%</u>	
Change in Proportionate Share	0.01108460%	-0.00013029%	
Pension Expense	(\$279,192)	(\$16,303,059)	(\$16,582,251)

At June 30, 2018, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$507,938	\$1,749,213	\$2,257,151
Changes of assumptions	610,316	9,907,263	10,517,579
Changes in employer proportionate share of net pension liability	521,149	2,616,207	3,137,356
Contributions subsequent to the measurement date	<u>884,874</u>	<u>3,165,336</u>	<u>4,050,210</u>
Total Deferred Outflows of Resources	<u>\$2,524,277</u>	<u>\$17,438,019</u>	<u>\$19,962,296</u>
Differences between expected and actual experience	\$0	\$365,088	\$365,088
Net difference between projected and actual earnings on pension plan investments	56,024	1,494,901	1,550,925
Changes in employer proportionate share of net pension liability	<u>0</u>	<u>30,583</u>	<u>30,583</u>
Total Deferred Inflows of Resources	<u>\$56,024</u>	<u>\$1,890,572</u>	<u>\$1,946,596</u>

\$4,050,210 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$654,215	\$3,132,333	\$3,786,548
2020	889,514	5,579,663	6,469,177
2021	314,789	2,878,776	3,193,565
2022	<u>(275,139)</u>	<u>791,339</u>	<u>516,200</u>
Total	<u>\$1,583,379</u>	<u>\$12,382,111</u>	<u>\$13,965,490</u>

**Mad River Local School District  
Notes to the Basic Financial Statements  
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**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015

Prior to 2017, an assumption of 3.0% was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	100.00%	

**Discount Rate**

The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return 7.50%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.50%, or one percentage point higher 8.50% than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$16,378,788	\$11,802,489	\$7,968,906

**Changes in Benefit Terms**

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

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**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1 2013, or later, 2% COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table represents the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45% or one percentage point higher 8.45% than the current assumption:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$64,933,749	\$45,298,424	\$28,758,606

**Changes in Assumptions**

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a

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decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**Changes in Benefit Terms**

Effective July 1, 2017, the COLA was reduced to zero.

**Note 11 – Defined Benefit Other Postemployment Benefits (OPEB) Plans**

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**Net Other Postemployment Benefits (OPEB) Liability**

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

**Plan Description - School Employees Retirement System (SERS)**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most

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types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% 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 2018, the surcharge obligation was \$109,728.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$142,501 for fiscal year 2018. Of this amount \$109,728 is reported as accrued wages and benefits.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly 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. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the employer's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$5,395,729	\$7,439,955	\$12,835,684
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.20105280%	0.19068834%	
Prior Measurement Date	0.18908028%	0.19081863%	
Change in Proportionate Share	<u>0.01197252%</u>	<u>-0.00013029%</u>	
OPEB Expense	\$394,356	(\$2,271,269)	(\$1,876,913)

At June 30, 2018, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$429,480	\$429,480
Changes in employer proportionate share of net pension liability	250,500	0	250,500
Contributions subsequent to the measurement date	<u>142,501</u>	<u>0</u>	<u>142,501</u>
Total Deferred Outflows of Resources	<u>\$393,001</u>	<u>\$429,480</u>	<u>\$822,481</u>
Changes of assumptions	\$512,027	\$599,312	\$1,111,339
Net difference between projected and actual earnings on pension plan investments	14,249	318,000	332,249
Changes in employer proportionate share of net pension liability	<u>0</u>	<u>5,973</u>	<u>5,973</u>
Total Deferred Inflows of Resources	<u>\$526,276</u>	<u>\$923,285</u>	<u>\$1,449,561</u>

\$142,501 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2019	(\$98,318)	(\$108,801)	(\$207,119)
2020	(98,318)	(108,801)	(207,119)
2021	(75,577)	(108,801)	(184,378)
2022	(3,563)	(108,800)	(112,363)
2023	0	(29,301)	(29,301)
Thereafter	0	(29,301)	(29,301)
<b>Total</b>	<b>(\$275,776)</b>	<b>(\$493,805)</b>	<b>(\$769,581)</b>

**Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

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Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
Investment Rate of Return	7.50% net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56%
Prior Measurement Date	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.63%
Prior Measurement Date	2.98%
Medical Trend Assumption	
Medicare	5.50% to 5.00%
Pre-Medicare	7.50% to 5.00%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	100.00%	

**Discount Rate**

The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates**

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	\$6,516,030	\$5,395,729	\$4,508,165

**Mad River Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2018**

	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	\$4,378,230	\$5,395,729	\$6,742,407

**Changes in Assumptions – SERS**

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017
Blended Discount Rate of Return	4.13%
Health Care Cost Trends	6.00% to 11.00% initial, 4.5% ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using



**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

\*10 year annualized geometric nominal returns, which includes the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate**

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	\$9,988,021	\$7,439,955	\$5,426,151

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$5,168,962	\$7,439,955	\$10,428,848

**Changes in Assumptions – STRS**

For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

**Note 12 – Contingent Liabilities**

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**Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, the finalized enrollment adjustments to the June 30, 2018 Foundation funding did not result in significant receivable or payable to the District.

**Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material, adverse effect on the overall financial condition of the District at June 30, 2018.

**Note 13 – Risk Management**

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

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

**Note 14 – Set-Aside Calculation**

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

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

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2017	\$0
Current Year Set Aside Requirements	686,968
Qualified Disbursements	<u>(1,015,368)</u>
Set Aside Reserve Balance as of June 30, 2018	<u>(328,400)</u>
Restricted Cash as of June 30, 2018	<u>\$0</u>
Carried Forward as of June 30, 2018	(\$14,933,994)

Offset credits for capital activity during the year exceeded the amount required for the set-aside. \$14,933,994 from the FY2002 building project is available to offset future capital reserve requirements.

**Note 15 – Interfund Transactions**

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Interfund transactions at June 30, 2018, consisted of the following interfund receivables and interfund payables, and transfers in and transfers out:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$244,787	\$0	\$74,823	\$0
Other Governmental Funds	<u>14,366</u>	<u>259,153</u>	<u>0</u>	<u>74,823</u>
Total All Funds	<u>\$259,153</u>	<u>\$259,153</u>	<u>\$74,823</u>	<u>\$74,823</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 16 – Accountability**

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

<b>Fund</b>	<u><b>Amounts</b></u>
Other Governmental Funds:	
Special Education	\$74,920
Vocational Education	1,444
Title I	84,004
Improving Teacher Quality	9,942

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.

**Mad River Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2018**

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**Note 17 – Jointly Governed Organizations**

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**META Solutions**

Metropolitan Educational Technology Association (META) is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs. The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The District paid META \$109,276 for services provided during the fiscal year. Financial information can be obtained from the Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

**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 \$0 to EPC in fiscal year 2018 for membership dues.

**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 \$1,268,671 to MCESC in fiscal year 2018. Financial information can be obtained from the Treasurer, at 200 South Keowee Street, Dayton, Ohio 45402.

**Note 18 – Insurance Purchasing Pool/Public Entity Shared Risk Pool**

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**Insurance Purchasing Pool**

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

**Mad River Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2018**

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**Public Entity Shared Risk Pool**

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

**Note 19 – Fund Balances**

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

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**Mad River Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2018**

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Fund Balances	General	Other Governmental Funds	Total
<b>Nonspendable:</b>			
Prepays	\$61,511	\$6,505	\$68,016
<b>Total Nonspendable</b>	<b>61,511</b>	<b>6,505</b>	<b>68,016</b>
<b>Restricted for:</b>			
Student Activity	0	260,673	260,673
Auxiliary Services	0	91,562	91,562
Career Development	0	3,229	3,229
Title VI	0	1,115	1,115
Food Service	0	169,147	169,147
Classroom Facilities Maintenance	0	322,265	322,265
Other Grants	0	26,333	26,333
Debt Service	0	1,166,783	1,166,783
Capital Outlay	0	480,288	480,288
<b>Total Restricted</b>	<b>0</b>	<b>2,521,395</b>	<b>2,521,395</b>
<b>Committed to:</b>			
Termination Benefits	821,000	0	821,000
<b>Total Committed</b>	<b>821,000</b>	<b>0</b>	<b>821,000</b>
<b>Assigned to:</b>			
Encumbrances	331,758	0	331,758
Budgetary Resource	2,998,157	0	2,998,157
Public Schools	185,961	0	185,961
<b>Total Assigned</b>	<b>3,515,876</b>	<b>0</b>	<b>3,515,876</b>
<b>Unassigned (Deficit)</b>	<b>12,373,834</b>	<b>(174,576)</b>	<b>12,199,258</b>
<b>Total Fund Balance</b>	<b>\$16,772,221</b>	<b>\$2,353,324</b>	<b>\$19,125,545</b>

**Note 20 – Tax Abatements Entered Into By Other Governments**

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Other governments entered into property tax abatement agreements with property owners under the Enterprise Zone Agreement (“EZA”) program within the taxing districts of the District. The EZA program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in the community. Within the taxing districts of the District, The City of Riverside has entered into EZA agreements. Under these agreements the District’s property taxes were reduced by \$165,076.

**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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**Note 21 – Implementation of New Accounting Principles and Restatement of Net Position**

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For the fiscal year ended June 30, 2018, the District has implemented GASB Statement No. 81, Irrevocable Split-Interest Agreements, GASB Statement No. 82, Pensions Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73, and GASB No. 86, Certain Debt Extinguishment Issues, and GASB Statement No. 85, Omnibus 2017, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

GASB Statement No. 81 sets out to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The implementation of GASB Statement No. 82 was included in the footnote disclosures for 2018.

GASB Statement No. 86 sets out to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.



**Mad River Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net position June 30, 2017	\$20,028,742
Adjustments:	
Net OPEB Liability	(15,594,517)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>112,339</u>
Restated Net Position June 30, 2017	<u>\$4,546,564</u>

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

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.19068834%	0.19081863%	0.18352524%	0.17150188%	0.17150188%
District's Proportionate Share of the Net Pension Liability	\$45,298,424	\$63,872,747	\$50,721,008	\$41,715,193	\$49,557,045
District's Covered-Employee Payroll	\$21,800,143	\$20,730,750	\$18,994,543	\$18,870,662	\$18,157,846
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	207.79%	308.11%	267.03%	221.06%	272.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.19753850%	0.18645390%	0.18601000%	0.18534500%	0.18534500%
District's Proportionate Share of the Net Pension Liability	\$11,802,489	\$13,646,705	\$10,613,911	\$9,380,205	\$11,025,176
District's Covered-Employee Payroll	\$6,348,786	\$5,859,600	\$6,900,835	\$5,440,159	\$6,326,532
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	185.90%	232.89%	153.81%	172.43%	174.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$3,165,336	\$3,052,020	\$2,902,305	\$2,659,236	\$2,453,186	\$2,360,520	\$2,786,532	\$2,877,672	\$2,679,624	\$2,471,052
Contributions in Relation to the Contractually Required Contribution	(3,165,336)	(3,052,020)	(2,902,305)	(2,659,236)	(2,453,186)	(2,360,520)	(2,786,532)	(2,877,672)	(2,679,624)	(2,471,052)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$22,609,543	\$21,800,143	\$20,730,750	\$18,994,543	\$18,870,662	\$18,157,846	\$21,434,862	\$22,135,938	\$20,612,492	\$19,008,092
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$884,874	\$888,830	\$820,344	\$909,530	\$754,006	\$875,592	\$982,008	\$942,744	\$870,396	\$805,152
Contributions in Relation to the Contractually Required Contribution	(884,874)	(888,830)	(820,344)	(909,530)	(754,006)	(875,592)	(982,008)	(942,744)	(870,396)	(805,152)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$6,554,622	\$6,348,786	\$5,859,600	\$6,900,835	\$5,440,159	\$6,326,532	\$7,301,175	\$7,499,952	\$6,428,331	\$8,182,439
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information.

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.19068834%	0.19081863%
District's Proportionate Share of the Net OPEB Liability	\$7,439,955	\$10,205,030
District's Covered-Employee Payroll	\$21,800,143	\$20,730,750
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	34.13%	49.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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

	2018	2017
District's Proportion of the Net OPEB Liability	0.20105280%	0.18908028%
District's Proportionate Share of the Net OPEB Liability	\$5,395,729	\$5,389,487
District's Covered-Employee Payroll	\$6,348,786	\$5,859,600
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	84.99%	91.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.



Mad River Local School District  
 Required Supplementary Information  
 Schedule of District Contributions to  
 Postemployment Benefits Other Than Pension (OPEB)  
 State Teachers Retirement System of Ohio  
 Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$22,609,543	\$21,800,143	\$20,730,750
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Mad River Local School District  
 Required Supplementary Information  
 Schedule of District Contributions to  
 Postemployment Benefits Other Than Pension (OPEB)  
 School Employees Retirement System of Ohio  
 Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB (2)	\$142,501	\$96,229	\$98,156
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(142,501)</u>	<u>(96,229)</u>	<u>(98,156)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$6,554,622	\$6,348,786	\$5,859,600
Contributions to OPEB as a Percentage of Covered-Employee Payroll	2.17%	1.52%	1.68%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

Mad River Local School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$9,305,697	\$9,299,287	\$9,303,707	\$4,420
Tuition and Fees	5,107,311	5,103,793	5,106,219	2,426
Investment Earnings	243,844	243,676	243,792	116
Intergovernmental	28,867,527	28,847,642	28,861,354	13,712
Other Revenues	249,061	248,890	249,008	118
<b>Total Revenues</b>	<b>43,773,440</b>	<b>43,743,288</b>	<b>43,764,080</b>	<b>20,792</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	18,442,829	18,494,107	18,363,633	130,474
Special	6,267,708	6,285,135	6,240,794	44,341
Vocational	2,317,567	2,324,011	2,307,615	16,396
Student Intervention Services	1,552,685	1,557,002	1,546,018	10,984
<b>Support Services:</b>				
Pupil	3,351,246	3,360,563	3,336,855	23,708
Instructional Staff	1,747,084	1,751,942	1,739,582	12,360
General Administration	140,792	141,183	140,187	996
School Administration	3,012,147	3,020,521	2,999,212	21,309
Fiscal	643,880	645,670	641,115	4,555
Operations and Maintenance	4,076,333	4,087,667	4,058,829	28,838
Pupil Transportation	1,703,504	1,708,240	1,696,189	12,051
Central	572,044	573,635	569,588	4,047
Extracurricular Activities	623,481	625,215	620,804	4,411
Capital Outlay	217,829	218,435	216,894	1,541
<b>Total Expenditures</b>	<b>44,669,129</b>	<b>44,793,326</b>	<b>44,477,315</b>	<b>316,011</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(895,689)</b>	<b>(1,050,038)</b>	<b>(713,235)</b>	<b>336,803</b>
<b>Other financing sources (uses):</b>				
Proceeds from Sale of Capital Assets	46,023	45,991	46,013	22
Transfers In	74,839	74,787	74,823	36
Transfers (Out)	(100,431)	(100,711)	(100,000)	711
<b>Total Other Financing Sources (Uses)</b>	<b>20,431</b>	<b>20,067</b>	<b>20,836</b>	<b>769</b>
<b>Net Change in Fund Balance</b>	<b>(875,258)</b>	<b>(1,029,971)</b>	<b>(692,399)</b>	<b>337,572</b>
<b>Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>19,717,894</b>	<b>19,717,894</b>	<b>19,717,894</b>	<b>0</b>
<b>Fund Balance - End of Year</b>	<b>\$18,842,636</b>	<b>\$18,687,923</b>	<b>\$19,025,495</b>	<b>\$337,572</b>

See accompanying notes to the required supplementary information.

**Mad River Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2018**

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**Note 1 – Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedule 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 schedule reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2018.

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

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

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

**Mad River Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2018**

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

	General
GAAP Basis	(\$357,781)
Revenue Accruals	(906,215)
Expenditure Accruals	998,807
Transfers Out	(100,000)
Encumbrances	(327,210)
Budget Basis	(\$692,399)

**Note 2 - SERS Change in Assumptions-Net Pension Liability**

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The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

**Note 3 - STRS Change in Assumptions and Benefit Terms-Net Pension Liability**

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**Changes in Assumptions**

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**Changes in Benefit Terms**

Effective July 1, 2017, the COLA was reduced to zero.

**Note 4 - SERS Change in Assumptions-Net OPEB Liability**

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Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of

**Mad River Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2018**

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withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

**Note 5 - STRS Change in Assumptions-Net OPEB Liability**

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For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program / Cluster Title	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$ 314,484	
National School Lunch Program	10.555	N/A	1,117,591	\$ 81,458
Summer Food Service Program for Children	10.559	N/A	38,777	
Total Child Nutrition Cluster			<u>1,470,852</u>	<u>81,458</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>1,470,852</u></b>	<b><u>81,458</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	N/A	865,851	
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	N/A	894,148	
Special Education Preschool Grants	84.173	N/A	14,545	
Total Special Education Cluster (IDEA)			<u>908,693</u>	
Career and Technical Education - Basic Grants to States	84.048	N/A	70,000	
English Language Acquisition State Grants	84.365	N/A	39,157	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	N/A	126,424	
Student Support and Academic Enrichment Program	84.424	N/A	21,806	
<i>Direct Program</i>				
Impact Aid	84.041	N/A	<u>727,086</u>	
<b>Total U.S. Department of Education</b>			<b><u>2,759,017</u></b>	
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 4,229,869</u></b>	<b><u>\$ 81,458</u></b>

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

**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Mad River Local School District (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - 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 D – FOOD DONATION PROGRAM**

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

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 and from 2018 to 2019 programs:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Transfer from 2017</b>	<b>Transfer To 2019</b>
Title I Grants to Local Educational Agencies	84.010	\$18,282	\$15,186
Special Education Grants to States	84.027	25,090	10,370
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	1,793	27,736
English Language Acquisition State Grants	84.365	1,397	904
Total Transfers		<u>\$46,562</u>	<u>\$54,196</u>



# OHIO AUDITOR OF STATE KEITH FABER



## 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 the Mad River Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2019, wherein we noted that the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

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

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

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

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

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***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 20, 2019

# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for the 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) *Compliance Supplement* that could directly and materially affect the Mad River Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the 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 its major federal program for the year ended June 30, 2018.

***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 the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 20, 2019

**MAD RIVER LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

**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 weaknesses in internal control 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 weaknesses in internal control 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 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (IDEA): Special Education Grants to States (CFDA # 84.027) Special Education Preschool Grants (CFDA # 84.173)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**MAD RIVER LOCAL SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 28, 2019**