

**MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**



Dave Yost • Auditor of State

Board of Education
Madison Local School District
1324 Middletown-Eaton Road
Middletown, Ohio 45042

We have reviewed the *Independent Auditor's Report* of the Madison Local School District, Butler County, prepared by Bastin & Company, LLC, for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Madison Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 14, 2014

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**MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Madison Local School District
1324 Middletown-Eaton Road
Middletown, Ohio 45042

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position where applicable and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17 to the financial statements, during 2013 the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of federal awards receipts and expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards receipts and expenditures is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 District's internal control over financial reporting and compliance.

Bastin & Company, L L C

Cincinnati, Ohio
December 20, 2013

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

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

Financial Highlights

Key financial highlights for 2013 are as follows:

- Net position of governmental activities decreased \$866,809 which represents a 4.5% decrease from 2012.
- General revenues accounted for \$12,972,840 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,008,673 or 19% of total revenues of \$15,981,513 .
- The District had \$16,848,322 in expenses related to governmental activities; \$3,008,673 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,972,840 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 *Government-wide Financial Statements* 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 and Debt Service Fund are the major funds 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 2013?" The Government-wide Financial Statements answer this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

These two statements report the District's net position and changes in 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 overall financial position of the District is presented as Governmental Activities – All of the District's programs and services are reported as Governmental Activities including instruction, support services, operation of noninstructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds are presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. 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.

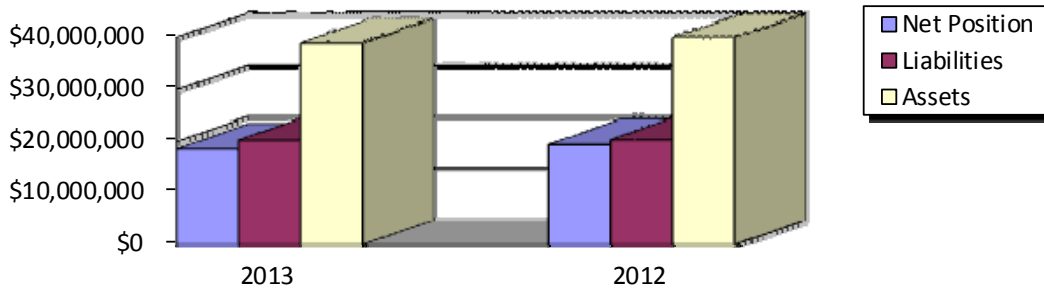
The District as a Whole

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 2013 compared to 2012:

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

Table 1
Net Position

	Governmental Activities	
	2013	2012
Assets:		
Current and Other Assets	\$9,751,605	\$9,696,243
Capital Assets	29,095,186	30,112,044
Total Assets	38,846,791	39,808,287
Liabilities:		
Other Liabilities	6,527,850	6,719,371
Long-Term Liabilities	13,730,890	13,634,056
Total Liabilities	20,258,740	20,353,427
Net Position:		
Net Investment in Capital Assets	15,903,550	16,752,271
Restricted	1,673,309	1,496,063
Unrestricted	1,011,192	1,206,526
Total Net Position	\$18,588,051	\$19,454,860



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities by \$18,588,051.

At year-end, capital assets represented 75% of total assets. Capital assets include land, buildings and improvements, furniture and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2013, was \$15,903,550. 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.

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

A portion of the District's net position, \$1,673,309 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 from the prior year mainly due to the decrease in cash and capital assets at year end, which was mainly due to capital asset depreciation being greater than current year additions. Long-term liabilities increased, while net investment in capital assets decreased due to the District issuing new capital leases in 2013. Other Liabilities decreased mainly due to the decrease in accounts payable.

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

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues:		
Program Revenues		
Charges for Services	\$1,391,774	\$1,721,095
Operating Grants, Contributions	1,616,899	1,194,873
General Revenues:		
Income Taxes	893,294	879,511
Property Taxes	5,595,510	5,372,251
Grants and Entitlements	6,325,809	6,541,178
Other	158,227	175,158
Total Revenues	<u>15,981,513</u>	<u>15,884,066</u>
Program Expenses:		
Instruction	8,541,255	8,319,389
Support Services:		
Pupil and Instructional Staff	1,640,497	1,557,395
School Administrative, General		
Administration, Fiscal and Business	1,384,663	1,535,757
Operations and Maintenance	1,600,994	1,675,885
Pupil Transportation	1,071,764	1,092,829
Central	337,649	460,263
Operation of Non-Instructional Services	694,355	723,691
Extracurricular Activities	452,070	480,234
Interest and Fiscal Charges	<u>1,125,075</u>	<u>1,091,625</u>
Total Program Expenses	<u>16,848,322</u>	<u>16,937,068</u>
Change in Net Position	(866,809)	(1,053,002)
Net Position - Beginning of Year	<u>19,454,860</u>	<u>20,507,862</u>
Net Position - End of Year	<u>\$18,588,051</u>	<u>\$19,454,860</u>

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

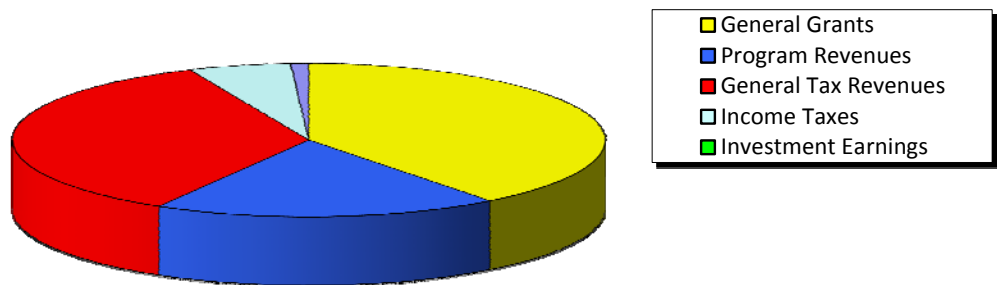
The District revenues are mainly from two sources. Property taxes levied for general, special revenue, debt service and capital projects purposes and grants and entitlements comprised 75% of the District's revenues for governmental activities.

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 dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 35% of revenue for governmental activities for the District in fiscal year 2013.

Governmental Activities
Revenue Sources

		<u>Percentage</u>
General Grants	\$6,325,809	39.6%
Program Revenues	3,008,673	18.8%
General Tax Revenues	5,595,510	35.0%
Income Taxes	893,294	5.6%
Investment Earnings	2,439	0.0%
Other Revenues	<u>155,788</u>	<u>1.0%</u>
Total Revenue Sources	<u>\$15,981,513</u>	<u>100.0%</u>



Instruction comprises 50.7% of governmental program expenses. Support services expenses were 35.8% of governmental program expenses. All other expenses including interest expense were 13.5%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District's overall financial position diminished from 2012 to 2013.

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

Governmental Activities

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. These services are mainly supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$8,541,255	\$8,319,389	(\$6,633,826)	(\$6,674,167)
Support Services:				
Pupil and Instructional Staff	1,640,497	1,557,395	(1,373,402)	(1,253,541)
School Administrative, General				
Administration, Fiscal and Business	1,384,663	1,535,757	(1,384,663)	(1,535,757)
Operations and Maintenance	1,600,994	1,675,885	(1,572,339)	(1,616,556)
Pupil Transportation	1,071,764	1,092,829	(1,049,527)	(1,092,407)
Central	337,649	460,263	(332,249)	(454,558)
Operation of Non-Instructional Services	694,355	723,691	(16,049)	10,446
Extracurricular Activities	452,070	480,234	(352,519)	(312,935)
Interest and Fiscal Charges	1,125,075	1,091,625	(1,125,075)	(1,091,625)
Total Expenses	<u>\$16,848,322</u>	<u>\$16,937,068</u>	<u>(\$13,839,649)</u>	<u>(\$14,021,100)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the General Fund comprised \$6,437,979 (67%) and the Debt Service Fund comprised \$1,508,947 (16%) of the total \$9,671,609 governmental funds' assets.

General Fund: Fund balance at June 30, 2013 was \$1,415,069 including \$733,567 of unassigned balance. The District had an increase in fund balance of \$214,973. The increase in fund balance was due to an increase in tax and grant monies received in 2013 compared to 2012.

Debt Service Fund: Fund balance at June 30, 2013 was \$553,597 with an increase in fund balance of \$119,316. The fund balance increased over 2012 was due mainly to an increase in tax and grant monies received in 2013 compared to 2012.

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.

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.

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

For the General Fund, final budget basis revenue was \$12,193,457, compared to original budget estimates of \$11,923,867. Of this \$269,590 difference, most was due to underestimating taxes revenues in the original budget.

The District's unobligated cash balance for the General Fund was \$1,769,731.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$29,095,186 invested in land, buildings and improvements, and furniture and equipment. Table 4 shows fiscal year 2013 balances compared to fiscal year 2012:

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2013	2012
Land	\$290,152	\$290,152
Land Improvements	2,004,392	1,994,695
Buildings and Improvements	35,615,542	35,615,542
Furniture and Equipment	3,408,619	3,239,278
Vehicles	30,720	30,720
Less: Accumulated Depreciation	<u>(12,254,239)</u>	<u>(11,058,343)</u>
Total Net Capital Assets	<u><u>\$29,095,186</u></u>	<u><u>\$30,112,044</u></u>

Total Net Capital Assets decreased in 2013 as compared to 2012 because depreciation expense was greater than current year additions.

See Note 8 to the Basic Financial Statements for further details on the District's capital assets.

Debt

At June 30, 2013, the District had \$13,616,809 in debt outstanding, \$373,701 due within one year. Table 5 summarizes total debt outstanding.

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

Table 5
Outstanding Debt at Year End

	2013	2012
General Obligation Bonds Payable:		
1999 General Obligation Bond	\$241,622	\$375,965
2000 General Obligation Bond	199,994	199,994
2006 General Obligation Bond	7,415,000	7,415,000
2006 Capital Appreciation Bonds - Principal Only	117,984	124,993
2007 General Obligation Bond	1,720,000	1,771,264
Premium on General Obligation Bond	534,882	573,088
Deferred Loss on Defeasance	(194,367)	(263,202)
Accretion on Capital Appreciation Bonds	425,173	330,281
Capital Leases Payable:		
Capital Leases Copier	4,827	10,937
Capital Leases OASBO HS	2,733,000	2,792,000
Capital Leases OASBO Buses	125,000	147,000
Capital Leases Apple	115,766	0
Capital Leases Copier	177,928	0
Total Outstanding Debt at Year End	<u>\$13,616,809</u>	<u>\$13,477,320</u>

See Notes 11 and 12 to the Basic Financial Statements for further details on the District's obligations.

Economic Outlook

The Ohio Department of Education explains the school funding model in Ohio as follows:

The funding of K-12 public schools in Ohio is a joint effort between the state and local school districts. Since the 1970s through FY 2009, with the exception of a few years, Ohio's funding formula was foundation based by means of which a per pupil amount determined by the General Assembly as the per-pupil resource for provision of a basic adequate education was multiplied by the number of pupils to determine the base funding of the school districts. From this product, the local share of the basic adequate amount or the charge off was subtracted to arrive at the state share of the base funding. Additional funding was also provided for services targeted to categories of pupils such as handicapped, vocational, gifted, and economically disadvantaged as well as some adjustments and funding guarantees.

The 2010-11 biennial budget (Am. Sub. H.B. 1 of the 128th General Assembly), established a new funding formula called the Evidence-Based Model (EBM). Am. Sub. H.B. 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula for the 2012-13 biennial budget as a new school funding formula is developed. The temporary formula is called the Bridge formula.

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

The Bridge formula provides for a simplified approach to fund distribution based on FY 2011 total calculated amounts on per pupil basis for both FY 2012 and FY 2013. The FY 2013 funding calculation involves the use of ADM and funding factors from FY 2011 applied to FY 2013 ADM with additional adjustments utilizing charge-off property valuation data in FY 2011. Based on this approach in FY 2013, school districts are provided with total funding amounts without any calculation for various education or support services such as special education, gifted education or transportation.

Madison remains concerned about the instability of the state and local economy and the political ramifications of a new funding model.

Management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

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

As the preceding information shows, the District is heavily dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. New construction and new levies also contribute to growth of this revenue. With the collapse of real estate values in 2009, the District lost its primary source of revenue growth (i.e. inflation of the tax base). In addition, an update of the 2011 reappraisal values was completed, resulting in a continued decrease in property values. The next regular valuation update is scheduled for 2013, and represents an important factor for future District funding.

In 2011, HB1 (Ohio's 2012-11 biennial budget) was passed by the state legislature, establishing a new educational funding system. The current funding system was passed as a temporary solution until a new funding formula could be developed. All indications are that a new funding system will be included in the next biennial budget for 2013-2014. Ohio's economy has begun to make improvements following the Country's economic troubles. How this will affect the funding of schools in Ohio has yet to be seen. However, it is anticipated that current funding levels will be maintained.

The District also receives a .5% income tax from residents. Over the past year, the unemployment rate in Ohio has dropped from 8.9% to 7.4% in June of 2012. This decrease in the unemployment rate has been reflective in the Districts income tax collections. The District experienced a 3% increase in the income tax in fiscal year 2013 as compared to fiscal year 2012. It is expected that as the overall economy continues its slow recovery, the income tax will also continue at a slow pace.

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 Brian Rabe, Treasurer at Madison Local School District, 1324 Middletown Eaton Road, Middletown, Ohio 45042. Or E-mail at Brian.Rabe@madisonmohawks.org.

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

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$3,652,838
Receivables:	
Taxes	5,869,486
Accounts	36,453
Interest	236
Intergovernmental	80,235
Deferred Bond Issuance Costs	109,711
Inventory	2,646
Nondepreciable Capital Assets	290,152
Depreciable Capital Assets, Net	<u>28,805,034</u>
 Total Assets	 <u>38,846,791</u>
Liabilities:	
Accounts Payable	71,951
Accrued Wages and Benefits	1,358,564
Accrued Interest Payable	74,375
Unearned Revenue	5,022,960
Long-Term Liabilities:	
Due Within One Year	397,412
Due In More Than One Year	<u>13,333,478</u>
 Total Liabilities	 <u>20,258,740</u>
Net Position:	
Net Investment in Capital Assets	15,903,550
Restricted for:	
Food Service	383,710
Debt Service	634,467
Classroom Facilities Maintenance	289,387
Federal Grants	2,727
Capital Projects	345,951
Other Purposes	17,067
Unrestricted	<u>1,011,192</u>
 Total Net Position	 <u><u>\$18,588,051</u></u>

See accompanying notes to the basic financial statements.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$7,052,597	\$797,155	\$437,466	(\$5,817,976)
Special	993,573	134,222	528,299	(331,052)
Vocational	2,838	0	10,287	7,449
Other	492,247	0	0	(492,247)
Support Services:				
Pupil	604,136	0	0	(604,136)
Instructional Staff	1,036,361	0	267,095	(769,266)
General Administration	69,392	0	0	(69,392)
School Administration	1,078,371	0	0	(1,078,371)
Fiscal	235,130	0	0	(235,130)
Business	1,770	0	0	(1,770)
Operations and Maintenance	1,600,994	3,262	25,393	(1,572,339)
Pupil Transportation	1,071,764	0	22,237	(1,049,527)
Central	337,649	0	5,400	(332,249)
Operation of Non-Instructional Services	694,355	357,584	320,722	(16,049)
Extracurricular Activities	452,070	99,551	0	(352,519)
Interest and Fiscal Charges	1,125,075	0	0	(1,125,075)
Total Governmental Activities	\$16,848,322	\$1,391,774	\$1,616,899	(13,839,649)

General Revenues:	
Income Taxes	893,294
Property Taxes Levied for:	
General Purposes	3,906,986
Special Revenue Purposes	81,837
Debt Service Purposes	1,060,090
Capital Projects Purposes	546,597
Grants and Entitlements not Restricted	6,325,809
Unrestricted Contributions	650
Investment Earnings	2,439
Other Revenues	155,138
Total General Revenues	12,972,840
Change in Net Position	(866,809)
Net Position - Beginning of Year	19,454,860
Net Position - End of Year	\$18,588,051

See accompanying notes to the basic financial statements.

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

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$2,033,534	\$499,578	\$1,119,726	\$3,652,838
Receivables:				
Taxes	4,340,262	1,009,369	519,855	5,869,486
Accounts	34,389	0	2,064	36,453
Interest	226	0	10	236
Intergovernmental	2,536	0	77,699	80,235
Interfund	27,032	0	2,683	29,715
Inventory	0	0	2,646	2,646
Total Assets	6,437,979	1,508,947	1,724,683	9,671,609
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	27,373	0	44,578	71,951
Accrued Wages and Benefits	1,202,380	0	156,184	1,358,564
Interfund Payable	0	0	29,715	29,715
Deferred Revenue	3,793,157	955,350	570,214	5,318,721
Total Liabilities	5,022,910	955,350	800,691	6,778,951
Fund Balances:				
Nonspendable	0	0	2,646	2,646
Restricted	0	553,597	1,022,204	1,575,801
Assigned	681,502	0	0	681,502
Unassigned	733,567	0	(100,858)	632,709
Total Fund Balances	1,415,069	553,597	923,992	2,892,658
Total Liabilities and Fund Balances	\$6,437,979	\$1,508,947	\$1,724,683	\$9,671,609

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balance		\$2,892,658
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.		29,095,186
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	217,882	
Interest	180	
Intergovernmental	<u>77,699</u>	
		295,761
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.		(74,375)
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		(114,081)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		109,711
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(13,616,809)</u>
Net Position of Governmental Activities		<u><u>\$18,588,051</u></u>

See accompanying notes to the basic financial statements.

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

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$4,964,694	\$1,020,721	\$608,579	\$6,593,994
Tuition and Fees	865,453	0	0	865,453
Investment Earnings	1,514	0	745	2,259
Intergovernmental	6,494,965	161,817	1,208,999	7,865,781
Extracurricular Activities	54,011	0	74,643	128,654
Charges for Services	30,726	0	366,741	397,467
Other Revenues	120,295	0	35,692	155,987
Total Revenues	12,531,658	1,182,538	2,295,399	16,009,595
Expenditures:				
Current:				
Instruction:				
Regular	5,576,456	0	860,683	6,437,139
Special	817,315	0	170,322	987,637
Other	492,247	0	0	492,247
Support Services:				
Pupil	599,079	0	0	599,079
Instructional Staff	547,982	0	475,493	1,023,475
General Administration	69,392	0	0	69,392
School Administration	961,985	0	13,849	975,834
Fiscal	236,645	0	0	236,645
Business	1,770	0	0	1,770
Operations and Maintenance	1,298,170	0	90,647	1,388,817
Pupil Transportation	1,067,647	0	4,117	1,071,764
Central	296,968	16,472	20,655	334,095
Operation of Non-Instructional Services	40,582	0	624,177	664,759
Extracurricular Activities	310,447	0	126,176	436,623
Capital Outlay	0	0	29,768	29,768
Debt Service:				
Principal Retirement	0	192,616	155,302	347,918
Interest and Fiscal Charges	0	854,134	148,697	1,002,831
Total Expenditures	12,316,685	1,063,222	2,719,886	16,099,793
Excess of Revenues Over (Under) Expenditures	214,973	119,316	(424,487)	(90,198)
Other Financing Sources (Uses):				
Proceeds of Capital Leases	0	0	361,886	361,886
Total Other Financing Sources (Uses)	0	0	361,886	361,886
Net Change in Fund Balance	214,973	119,316	(62,601)	271,688
Fund Balance - Beginning of Year	1,200,096	434,281	986,593	2,620,970
Fund Balance - End of Year	\$1,415,069	\$553,597	\$923,992	\$2,892,658

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balance - Total Governmental Funds \$271,688

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	179,038	
Depreciation Expense	<u>(1,195,896)</u>	
		(1,016,858)

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

Delinquent Property Taxes	(105,190)	
Interest	180	
Intergovernmental	<u>76,928</u>	
		(28,082)

Repayment of bond and capital lease principal, and accretion are
 expenditures in the governmental funds, but the repayment reduces
 long-term liabilities in the statement of net position. 370,909

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

Accrued Interest		11,113
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Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	42,655	
Amortization of Bond Issuance Cost	(7,836)	
Amortization of Bond Premium	38,206	
Bond Accretion	(117,883)	
Amortization of Deferred Charge	<u>(68,835)</u>	
		(113,693)

Proceeds from debt issues are an other financing source in the funds,
 but a debt issue increases long-term liabilities in the statement
 of net position. (361,886)

Change in Net Position of Governmental Activities (\$866,809)

See accompanying notes to the basic financial statements.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$4,633,893	\$4,738,662	\$4,739,135	\$473
Tuition and Fees	801,137	819,250	819,332	82
Investment Earnings	1,435	1,468	1,468	0
Intergovernmental	6,352,280	6,495,901	6,496,549	648
Extracurricular Activities	18,424	18,840	18,842	2
Other Revenues	116,698	119,336	119,348	12
Total Revenues	11,923,867	12,193,457	12,194,674	1,217
Expenditures:				
Current:				
Instruction:				
Regular	5,570,214	5,570,600	5,370,122	200,478
Special	897,630	897,693	865,386	32,307
Other	510,588	510,624	492,247	18,377
Support Services:				
Pupil	715,585	715,635	689,880	25,755
Instructional Staff	571,277	571,317	550,756	20,561
General Administration	72,803	72,808	70,188	2,620
School Administration	1,087,940	1,088,015	1,048,859	39,156
Fiscal	250,970	250,988	241,955	9,033
Business	1,836	1,836	1,770	66
Operations and Maintenance	1,431,374	1,431,474	1,379,957	51,517
Pupil Transportation	1,252,141	1,252,228	1,207,162	45,066
Central	317,871	317,894	306,453	11,441
Operation of Non-Instructional Services	4,556	4,556	4,392	164
Extracurricular Activities	276,952	276,971	267,003	9,968
Total Expenditures	12,961,737	12,962,639	12,496,130	466,509
Excess of Revenues Over (Under) Expenditures	(1,037,870)	(769,182)	(301,456)	467,726
Other financing sources (uses):				
Proceeds from Sale of Assets	244	250	250	0
Advances In	21,170	21,649	21,651	2
Advances (Out)	(11,730)	(11,731)	(11,309)	422
Total Other Financing Sources (Uses)	9,684	10,168	10,592	424
Net Change in Fund Balance	(1,028,186)	(759,014)	(290,864)	468,150
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	2,060,595	2,060,595	2,060,595	0
Fund Balance - End of Year	\$1,032,409	\$1,301,581	\$1,769,731	\$468,150

See accompanying notes to the basic financial statements.

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

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$38,968
Receivables:	
Accounts	<u>2,538</u>
Total Assets	<u><u>\$41,506</u></u>
Liabilities:	
Accounts Payable	600
Other Liabilities	<u>40,906</u>
Total Liabilities	<u><u>\$41,506</u></u>

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Madison Local School District, Ohio (the District) is a body politic and corporate 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 governed by a locally elected five-member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by 56 noncertified and 102 certified teaching personnel providing education to 1,593 students.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the basic financial statements.

The following fund types are used by the District:

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

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

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary 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 therefore not available to support the District's own programs. The

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

District reports only an agency fund; it is utilized to account for various student-managed activity programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

Basis of Presentation – Financial Statements

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District only reports governmental type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 grants 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

Fund financial statements report detailed information about the District. The focus of governmental 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. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees and interest on investments.

Current property taxes measurable at June 30, 2013, and which are not intended to finance fiscal 2013 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

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.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include 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. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal 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.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

Estimated Resources

Prior to April 1, the Board accepts by formal resolution the tax rates as determined by the County Budget Commission, and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2013.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund, department and object level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to assigned fund balance (GAAP basis), applies to the General Fund only.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$214,973
Revenue Accruals	(336,984)
Expenditure Accruals	9,343
Proceeds of Capital Assets	250
Advances In	21,651
Advances (Out)	(11,309)
Encumbrances	(183,440)
Funds Budgeted Elsewhere	<u>(5,348)</u>
Budget Basis	<u><u>(\$290,864)</u></u>

Cash and Cash Equivalents

Cash and cash equivalents includes all demand deposits and investments.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, *“Accounting and Financial Reporting for Certain Investments and for External Investment Pools”*, the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreement and certificates of deposit) which are reported at cost, which approximates fair value. See Note 4, *“Cash, Cash Equivalents and Investments.”*

Under existing Ohio statutes, the Board of Education has, by resolution, specified the funds to receive allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 totaled \$1,514 and \$745 was credited to other funds of the District.

Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current fiscal period 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 an expenditure/expense is reported in the year in which services are consumed. There were no prepaid items at June 30, 2013.

Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business-type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net position, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$5,000.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 50 years
Buildings and Improvements	5 - 50 years
Machinery/Equipment and Furniture/Fixtures	5 - 20 years
Vehicles	5 - 10 years

Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Debt Service Fund
Capital Leases	Permanent Improvement Fund
Compensated Absences	General Fund and Food Services Fund

Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement.

<u>VACATION</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	0 - 25 days per year	10-20 days for each service year depending on length of service – bonus of maximum 5 days eligible
Maximum Accumulation	Not Applicable	0 – 60 days	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Used prior to termination	Used prior to termination
<u>SICK LEAVE</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	328 days	328 days	328 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/4 paid upon retirement	1/4 paid upon retirement	1/4 paid upon retirement

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Compensated absences accumulated by governmental fund type employees are reported as an expense when earned in the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded.

Net Position

Net position represents the difference between assets and liabilities. 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 is 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.

Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability.

Interfund Transactions

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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For the Fiscal Year Ended June 30, 2013

Restricted - The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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 the District Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. 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 the 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 could differ from those estimates.

Note 2 – Compliance and Accountability

Fund Deficits

The fund deficits at June 30, 2013 are listed below:

<u>Fund</u>	<u>Deficit</u>
IDEA, Part B Special Education	\$36,961
Title I	51,590
Drug-Free Schools	406
Improving Teacher Quality	11,901
	<u>\$100,858</u>

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Special revenue funds arise from the recognition of expenditures on the modified accrual basis, which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the budgetary/cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

Note 3 – Fund Balances

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Inventory	\$0	\$0	\$2,646	\$2,646
Total Nonspendable	0	0	2,646	2,646
Restricted for:				
Special Trust	0	0	7,794	7,794
Classroom Facilities Maintenance	0	0	289,387	289,387
Building	0	0	53,046	53,046
Classroom Facilities	0	0	15,712	15,712
Other Grants	0	0	8,810	8,810
Food Service	0	0	383,489	383,489
Debt Service Payments	0	553,597	0	553,597
Athletic	0	0	463	463
Permanent Improvement	0	0	263,503	263,503
Total Restricted	0	553,597	1,022,204	1,575,801
Assigned to:				
Encumbrances	178,181	0	0	178,181
Public School	16,696	0	0	16,696
Budgetary Resource	486,625	0	0	486,625
Total Assigned	681,502	0	0	681,502
Unassigned (Deficit)	733,567	0	(100,858)	632,709
Total Fund Balance	\$1,415,069	553,597	\$923,992	\$2,892,658

Note 4 - Cash, Cash Equivalents and Investments

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Madison Local School District, Ohio
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Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasury Asset Reserve of Ohio (STAR Ohio), and
- Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons.

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, *“Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,”* collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions’ agent in the pool’s name are classified as Category 3.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
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Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$3,691,806 and the bank balance was \$3,895,599. The Federal Deposit Insurance Corporation (FDIC) covered \$639,131 of the bank balance and \$3,256,468 was uninsured.

Note 5 – Taxes

Property Tax

Property taxes are levied and assessed on a calendar year basis while the District 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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2010, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Butler County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2013 receipts were based are:

Madison Local School District, Ohio
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	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$152,000,770
Public Utility Personal	<u>3,761,030</u>
Total	<u><u>\$155,761,800</u></u>

Income Tax

The District also receives a voted tax of 0.5 percent for general operations on the income of residents and of estates. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 6 – Receivables

Receivables at June 30, 2013 consisted of taxes, interest, accounts, intergovernmental and interfund receivables.

Note 7 - Interfund Balances

Following is a summary of interfund receivables/payables for all funds at June 30, 2013:

	Interfund	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$27,032	\$0
Other Governmental Funds	<u>2,683</u>	<u>29,715</u>
Total All Funds	<u><u>\$29,715</u></u>	<u><u>\$29,715</u></u>

The interfund balances represent amounts due between funds resulting from timing differences.

Note 8 - Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$290,152	\$0	\$0	\$290,152
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,994,695	9,697	0	2,004,392
Buildings & Improvements	35,615,542	0	0	35,615,542
Furniture & Equipment	3,239,278	169,341	0	3,408,619
Vehicles	<u>30,720</u>	<u>0</u>	<u>0</u>	<u>30,720</u>
Totals at Historical Cost	<u><u>41,170,387</u></u>	<u><u>179,038</u></u>	<u><u>0</u></u>	<u><u>41,349,425</u></u>
Less Accumulated Depreciation:				
Land Improvements	1,096,255	96,281	0	1,192,536
Buildings & Improvements	7,423,507	880,056	0	8,303,563
Furniture & Equipment	2,511,609	218,883	0	2,730,492
Vehicles	<u>26,972</u>	<u>676</u>	<u>0</u>	<u>27,648</u>
Total Accumulated Depreciation	<u><u>11,058,343</u></u>	<u><u>1,195,896</u></u>	<u><u>0</u></u>	<u><u>12,254,239</u></u>
Governmental Activities Capital Assets, Net	<u><u>\$30,112,044</u></u>	<u><u>(\$1,016,858)</u></u>	<u><u>\$0</u></u>	<u><u>\$29,095,186</u></u>

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$769,964
Special	6,833
Vocational	2,838
Support Services:	
Pupils	7,162
Instructional Staff	17,309
School Administration	104,040
Fiscal	2,547
Operations & Maintenance	223,758
Central	3,554
Operation of Non-Instructional Services	30,503
Extracurricular Activities	27,388
Total Depreciation Expense	<u>\$1,195,896</u>

Note 9 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

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

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$238,032, \$319,300, and \$312,229, respectively; contributions equaled the required contributions for each year.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

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

DB Plan Benefits

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

Madison Local School District, Ohio
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DC Plan Benefits

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

Combined Plan Benefits

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

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

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

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

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

Funding Policy

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

Madison Local School District, Ohio
Notes to the Basic Financial Statements
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Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2013, 2012, and 2011 were \$795,552, \$798,614, and \$774,607, respectively; 84% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Note 10- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Medicare Part B Plan

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74%. District contributions for the years ended June 30, 2013, 2012 and 2011 were \$12,582, \$18,856, and \$20,092, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2013, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$2,720, \$13,828, and \$37,806, respectively.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

State Teachers Retirement System of Ohio

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$56,825, \$61,432, and \$59,585, 84% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 11 - Long-Term Debt and Other Obligations

Detail of the changes in long-term debt and other long-term obligations of the District for the year ended June 30, 2013 are as follows:

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
Governmental Activities:						
Bonds/Notes Payable:						
1999 General Obligation Bond	4.25-5.75%	\$375,965	\$0	\$134,343	\$241,622	\$124,992
2000 General Obligation Bond	4.5-5.60%	199,994	0	0	199,994	40,012
2006 General Obligation Bond	4.0-4.05%	7,415,000	0	0	7,415,000	6,413
2006 Capital Appreciation Bonds - Principal Only	4.0-4.125%	124,993	0	7,009	117,984	10,000
2007 General Obligation Bond	4.0-4.125%	1,771,264	0	51,264	1,720,000	0
Premium on General Obligation Bond		573,088	0	38,206	534,882	0
Deferred Loss on Defeasance		(263,202)	0	(68,835)	(194,367)	0
Accretion on Capital Appreciation Bonds		330,281	117,883	22,991	425,173	0
Capital Leases Payable:						
Capital Leases Copier		10,937	0	6,110	4,827	4,827
Capital Leases OASBO HS		2,792,000	0	59,000	2,733,000	61,000
Capital Leases OASBO Buses		147,000	0	22,000	125,000	23,000
Capital Leases Apple		0	176,222	60,456	115,766	57,041
Capital Leases Copier		0	185,664	7,736	177,928	46,416
Subtotal Bonds		<u>13,477,320</u>	<u>479,769</u>	<u>340,280</u>	<u>13,616,809</u>	<u>373,701</u>
Compensated Absences		<u>156,736</u>	<u>34,525</u>	<u>77,180</u>	<u>114,081</u>	<u>23,711</u>
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM DEBT		<u>\$13,634,056</u>	<u>\$514,294</u>	<u>\$417,460</u>	<u>\$13,730,890</u>	<u>\$397,412</u>

On October 1, 1999, the District issued \$9,999,943 in general obligation bonds to retire previously issued notes. The bonds mature through 2014 and carry an interest rate between 4.25 and 5.75 percent. Proceeds from the debt are used for the construction, improvements, renovations, and additions to school facilities.

On November 27, 2000 the District issued \$2,769,994 in general obligation bonds to retire \$2,770,000 of bond anticipation notes. The bonds mature through 2019 and carry an interest rate between 4.5 and 5.6 percent. Proceeds from the debt are used for the construction, improvements, renovations, and additions to school facilities.

Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2013, follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$175,004	\$853,028	\$1,028,032	\$6,413	\$28,587	\$35,000
2015	162,040	694,460	856,500	7,185	42,815	50,000
2016	41,338	531,214	572,552	52,406	412,595	465,001
2017	37,735	534,210	571,945	41,980	433,020	475,000
2018	509,547	527,115	1,036,662	10,000	0	10,000
2019-2023	4,025,952	1,634,062	5,660,014	0	0	0
2024-2027	4,625,000	384,901	5,009,901	0	0	0
Total	<u>\$9,576,616</u>	<u>\$5,158,990</u>	<u>\$14,735,606</u>	<u>\$117,984</u>	<u>\$917,017</u>	<u>\$1,035,001</u>

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Defeased Debt

In November 2006, the District partially refunded \$8,300,000 of General Obligation Bonds for School Improvement Series 1999, dated October 1, 1999, through the issuance of \$8,299,993 of General Obligation Bonds. The net proceeds of the 2006 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$8,010,000 at June 30, 2013, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In March 2007, the District partially refunded \$1,955,000 of General Obligation Bonds for School Improvement Series 2000, dated November 27, 2000, through the issuance of \$1,954,998 of General Obligation Bonds. The net proceeds of the 2007 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,800,000, at June 30, 2013, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

Note 12 - Capital Lease Commitments

The District is obligated under five leases accounted for as capital leases. The cost of the leased assets (copiers, computers, administration building and high school project) are accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Long-Term Liabilities. The original cost of the assets under capital lease was \$4,263,965.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2013:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>
2014	\$340,054
2015	334,962
2016	275,141
2017	266,821
2018	228,336
2019-2023	995,049
2024-2028	989,849
2029-2033	981,423
2034-2037	<u>777,648</u>
Total Minimum Lease Payments	\$5,189,283
Amount Representing Interest and Additional program cost component	<u>(2,032,762)</u>
Present Value of Minimum Lease Payments	<u><u>\$3,156,521</u></u>

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 13 - Statutory Reserves

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 the end of the fiscal year 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 fiscal year end set aside amount for capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2012	\$0
Current Year Set Aside Requirements	258,447
Qualified Disbursements	(308,630)
Set Aside Reserve Balance as of June 30, 2013	<u>0</u>
Restricted Cash as of June 30, 2013	<u>\$0</u>
Carried Forward as of June 30, 2013	\$0

While the qualifying disbursements during the fiscal year reduced the capital improvement set-aside amount to below zero, this amount may not be used to reduce the set-aside requirements of future fiscal years. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law.

Note 14 - Jointly Governed Organization

The Southwest Ohio Computer Association (SWOCA), a jointly governed organization, was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the four county consortium supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of one representative from each four districts plus one representative from the fiscal agent. The degree of control exercised by any participating school district is limited to its representation on the Board. During the 2013 fiscal year the District paid \$90,181 to SWOCA for services. To obtain financial information, write to the Southwestern Ohio Computer Association, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Note 15 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District carries commercial general liability insurance against these risks and all other risks of loss, including workers compensation and employee health and accident insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 16 - Contingencies

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

Litigation

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2013.

Note 17 – Change in Accounting Principles

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and net position.

**MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY, OHIO
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U. S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Lunch Program - Food Distribution	N/A	10.555	\$ -	\$ 41,457	\$ -	\$ 38,811
National School Lunch Program	3L60	10.555	228,214	-	228,214	-
School Breakfast Program	3Y80	10.553	44,739	-	44,739	-
Total Nutrition Cluster			<u>272,953</u>	<u>41,457</u>	<u>272,953</u>	<u>38,811</u>
Total U.S. Department of Agriculture			<u>272,953</u>	<u>41,457</u>	<u>272,953</u>	<u>38,811</u>
U. S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	424,017	-	422,856	-
Total Title I, Part A Cluster			<u>424,017</u>	<u>-</u>	<u>422,856</u>	<u>-</u>
Special Education (Idea) Cluster:						
Special Education - Grants to States	3M20	84.027	320,834	-	322,380	-
Special Education - Preschool	3C50	84.173	2,336	-	2,396	-
Total Special Education (Idea) Cluster			<u>323,170</u>	<u>-</u>	<u>324,776</u>	<u>-</u>
Education Technology Cluster:						
Education Technology State Grants	3S20	84.318	2,210	-	2,210	-
Total Education Technology Cluster			<u>2,210</u>	<u>-</u>	<u>2,210</u>	<u>-</u>
Improving Teacher Quality State Grants						
Improving Teacher Quality State Grants	3Y60	84.367	74,631	-	76,910	-
Total Improving Teacher Quality State Grants			<u>74,631</u>	<u>-</u>	<u>76,910</u>	<u>-</u>
Education Jobs Fund						
Education Jobs Fund	3ET0	84.410	57,735	-	126,065	-
Total Education Jobs Fund			<u>57,735</u>	<u>-</u>	<u>126,065</u>	<u>-</u>
State Fiscal Stabilization Fund - Race-To-The-Top Incentive Grants - ARRA						
Total SFSF - Race-To-The-Top Incentive Grants - ARRA	3FD0	84.395	1,050	-	1,050	-
			<u>1,050</u>	<u>-</u>	<u>1,050</u>	<u>-</u>
Rural and Low-Income (Title VI-B)						
Total Rural and Low-Income (Title VI-B)	3Y80	84.358	28,190	-	28,190	-
			<u>28,190</u>	<u>-</u>	<u>28,190</u>	<u>-</u>
Total U.S. Department of Education			<u>911,003</u>	<u>-</u>	<u>982,057</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,183,956</u>	<u>\$ 41,457</u>	<u>\$ 1,255,010</u>	<u>\$ 38,811</u>

The accompanying notes are an integral part of this schedule.

**MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY, OHIO
NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES
OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2013

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards summarizes activity of the District's federal award programs and has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first.

NOTE D – MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Madison Local School District
1324 Middletown-Eaton Road
Middletown, Ohio 45042

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Local School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2013, wherein we noted the District implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
December 20, 2013

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Madison Local School District
1324 Middletown-Eaton Road
Middletown, Ohio 45042

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Madison Local School District's, Butler County, Ohio (the District), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

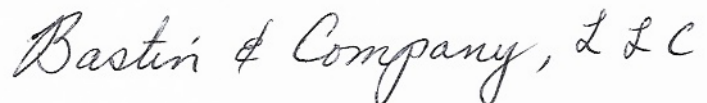
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a white background.

Cincinnati, Ohio
December 20, 2013

**MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB Circular A-133 § .505**

FOR THE YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITORS' RESULTS

Type of financial statement opinion	Unmodified				
Were there any material control weaknesses reported at the financial statement level?	No				
Were there any other significant deficiencies in internal control reported at the financial statement level?	No				
Was there any reported material noncompliance reported at the financial statement level?	No				
Were there any material internal control weaknesses reported for major federal programs?	No				
Were there any other significant deficiencies in internal control reported for major federal programs?	No				
Type of major programs' compliance opinion	Unmodified				
Are there any reportable findings?	No				
Major programs:	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Title I, Part A Cluster CFDA 84.010</td> <td style="width: 60%; text-align: right;">Special Education Cluster CFDA's 84.027 & 84.173</td> </tr> <tr> <td>Rural & Low Income (Title VI-B) CFDA 84.358</td> <td style="text-align: right;">Education Tech Cluster CFDA 84.318</td> </tr> </table>	Title I, Part A Cluster CFDA 84.010	Special Education Cluster CFDA's 84.027 & 84.173	Rural & Low Income (Title VI-B) CFDA 84.358	Education Tech Cluster CFDA 84.318
Title I, Part A Cluster CFDA 84.010	Special Education Cluster CFDA's 84.027 & 84.173				
Rural & Low Income (Title VI-B) CFDA 84.358	Education Tech Cluster CFDA 84.318				
Dollar threshold to distinguish between Type A/B programs	Type A: > \$300,000 Type B: all other				
Low risk auditee?	No				

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Madison Local School District
1324 Middletown-Eaton Road
Middletown, Ohio 45042

To the Board of Education:

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

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

1. We noted the Madison Local School District Board amended its anti-harassment policy at its meeting on May 9, 2013 to include prohibiting harassment, intimidation, or bullying of any student “on a school bus” or by an “electronic act”.

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

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



Cincinnati, Ohio
December 20, 2013

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Dave Yost • Auditor of State

MADISON LOCAL SCHOOL DISTRICT

BUTLER 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 4, 2014**