

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

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2016***

ROBIN KLENK, TREASURER



Dave Yost • Auditor of State

Board of Education
Madison Local School District
1379 Grace Street
Mansfield, OH 44905

We have reviewed the *Independent Auditor's Report* of the Madison Local School District, Richland County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 16, 2017

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Madison Local School District
Richland County
1379 Grace St.
Mansfield, OH 44905-2742

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Madison Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Richland County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the Madison Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Madison Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 22, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The management's discussion and analysis of Madison Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position increased \$378,605 Net position of governmental activities increased \$441,753, which represents a 1.94% increase from 2015's net position. Net position of business-type activities decreased \$63,148 from 2015.
- General revenues accounted for \$30,602,467 in revenue or 79.28% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,997,105 or 20.72% of total governmental activities revenues of \$38,599,572.
- The District had \$38,132,819 in expenses related to governmental activities; only \$7,997,105 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$30,602,467 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$32,629,741 in revenues and other financing sources and \$32,076,020 in expenditures and other financing uses. The general fund's fund balance increased \$553,721 from \$3,170,433 to \$3,724,154.
- The District's only major enterprise fund is the adult education fund. The adult education fund had \$924,828 in operating and non-operating revenues and \$999,288 in operating and non-operating expenses. The net position of the adult education decreased \$49,460 from a deficit of \$1,181,962 to a deficit of \$1,231,422.

Using the Basic Financial Statements

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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 the District perform financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses, using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. The change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance, pupil transportation, central, operation of non-instructional services, extracurricular activities, food service operations and interest and fiscal charges.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's adult education and preschool programs are reported as business-type activities.

The District's statement of net position and statement of activities can be found on pages 17 through 19 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 12. 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. The District's only major governmental fund is the general fund.

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 the modified accrual basis of 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 to 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. The basic governmental fund financial statements can be found on pages 20 through 24 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements closely resemble information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 25 through 27 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 28 and 29. These activities are excluded from the District's other financial statements because these resources cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31 through 68 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 70 through 76 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 26,048,907	\$ 25,247,550	\$ 410,604	\$ 531,039	\$ 26,459,511	\$ 25,778,589
Capital assets, net	36,555,127	37,127,715	36,098	27,977	36,591,225	37,155,692
Total assets	62,604,034	62,375,265	446,702	559,016	63,050,736	62,934,281
Deferred outflows of resources						
Pension	4,174,480	2,692,310	188,597	127,282	4,363,077	2,819,592
Total deferred outflows of resources	4,174,480	2,692,310	188,597	127,282	4,363,077	2,819,592
Liabilities						
Current liabilities	4,213,139	4,304,974	72,829	82,847	4,285,968	4,387,821
Long-term liabilities:						
Due within one year	632,129	697,633	5,675	7,655	637,804	705,288
Net pension liability	42,192,594	38,081,739	1,921,918	1,750,128	44,114,512	39,831,867
Other amounts	28,344,267	28,454,412	39,105	31,556	28,383,372	28,485,968
Total liabilities	75,382,129	71,538,758	2,039,527	1,872,186	77,421,656	73,410,944
Deferred inflows of resources						
Property taxes	9,554,214	8,975,620	-	-	9,554,214	8,975,620
Unamortized gain on debt refunding	335,798	348,009	-	-	335,798	348,009
Pension	3,779,103	6,919,671	158,321	313,513	3,937,424	7,233,184
Total deferred inflows of resources	13,669,115	16,243,300	158,321	313,513	13,827,436	16,556,813
Net Position						
Net investment in capital assets	9,817,387	10,087,462	35,239	25,459	9,852,626	10,112,921
Restricted	2,507,012	2,569,520	-	-	2,507,012	2,569,520
Unrestricted (deficit)	(34,597,129)	(35,371,465)	(1,597,788)	(1,524,860)	(36,194,917)	(36,896,325)
Total net position (deficit)	\$ (22,272,730)	\$ (22,714,483)	\$ (1,562,549)	\$ (1,499,401)	\$ (23,835,279)	\$ (24,213,884)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$23,835,279. \$ 22,272,730 of this total is in the governmental activities, and \$ 1,562,549 is in the business-type activities.

Capital assets reported on the government-wide statements represented 58.39% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. In the governmental activities, the District's net investment in capital assets at June 30, 2016 was \$9,817,387. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of the outstanding balances 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.

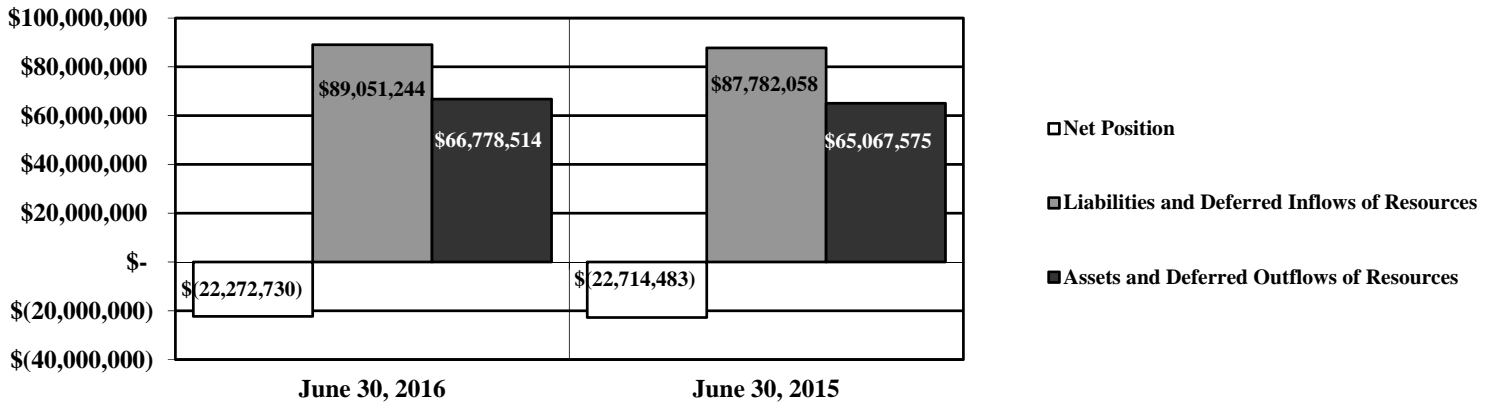
**MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

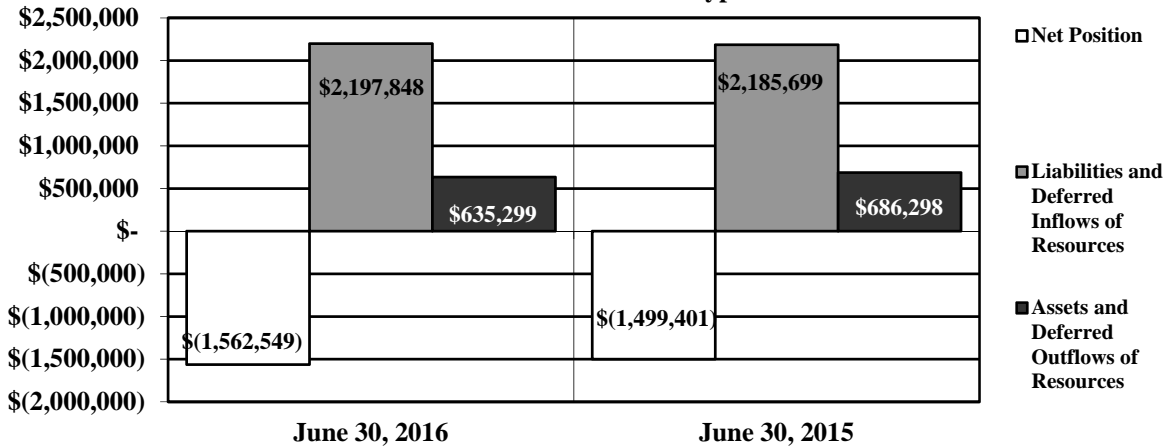
A portion of the District's net position, \$2,507,012 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit of \$34,597,129.

The graphs below present the District's governmental and business-type net position at June 30, 2016 and June 30, 2015.

Governmental - Net Position



Business-Type - Net Position



Governmental Activities

Net position of the District's governmental activities increased \$441,753. Total governmental activities expenses of \$38,132,819 were offset by program revenues of \$7,997,105 and general revenues of \$30,602,467. Program revenues supported 20.97% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 77.94% of total governmental activities revenue.

The table that follows shows the changes in net position of the governmental activities and the business-type activities for fiscal years 2016 and 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,862,799	\$ 1,980,873	\$ 1,147,207	\$ 1,124,041	\$ 3,010,006	\$ 3,104,914
Operating grants and contributions	6,134,306	5,908,113	264,341	267,380	6,398,647	6,175,493
General revenues:						
Property taxes	10,935,365	11,906,454	-	-	10,935,365	11,906,454
Grants and entitlements, not restricted	19,147,577	18,168,739	-	-	19,147,577	18,168,739
Payments in lieu of taxes	245,090	254,098	-	-	245,090	254,098
Investment earnings	104,178	70,493	-	-	104,178	70,493
Miscellaneous	170,257	66,740	-	-	170,257	66,740
Total revenues	<u>\$ 38,599,572</u>	<u>\$ 38,355,510</u>	<u>\$ 1,411,548</u>	<u>\$ 1,391,421</u>	<u>\$ 40,011,120</u>	<u>\$ 39,746,931</u>

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Change in Net Position (Continued)

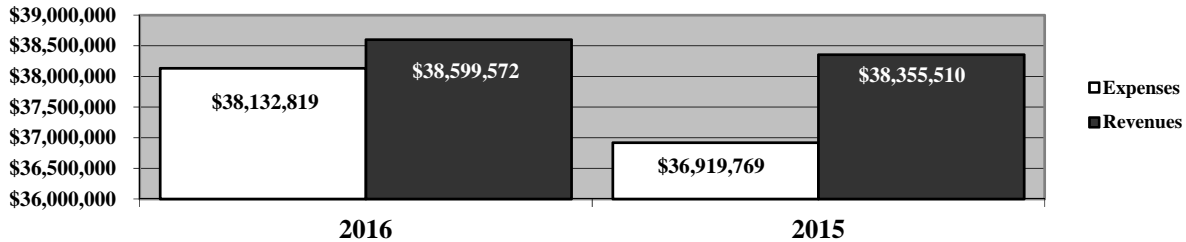
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Expenses						
Program expenses:						
Instruction:						
Regular	\$ 12,768,160	\$ 11,811,279	\$ -	\$ -	\$ 12,768,160	\$ 11,811,279
Special	4,587,935	4,482,288	-	-	4,587,935	4,482,288
Vocational	2,575,872	2,630,154	-	-	2,575,872	2,630,154
Adult/continuing	79,174	98,044	-	-	79,174	98,044
Other	3,069,891	2,937,462	-	-	3,069,891	2,937,462
Support services:						
Pupil	1,113,327	1,126,361	-	-	1,113,327	1,126,361
Instructional staff	892,028	945,461	-	-	892,028	945,461
Board of education	30,517	32,087	-	-	30,517	32,087
Administration	2,734,920	2,479,473	-	-	2,734,920	2,479,473
Fiscal	727,310	727,223	-	-	727,310	727,223
Business	70,654	72,104	-	-	70,654	72,104
Operations and maintenance	3,031,037	3,452,916	-	-	3,031,037	3,452,916
Pupil transportation	1,816,662	1,679,928	-	-	1,816,662	1,679,928
Central	287,880	218,532	-	-	287,880	218,532
Operation of non-instructional services:						
Food service operations	1,618,449	1,436,417	-	-	1,618,449	1,436,417
Other non-instructional services	537,696	508,091	-	-	537,696	508,091
Extracurricular activities	617,407	604,666	-	-	617,407	604,666
Interest and fiscal charges	1,573,900	1,677,283	-	-	1,573,900	1,677,283
Adult education	-	-	1,013,377	960,574	1,013,377	960,574
Preschool	-	-	486,319	498,495	486,319	498,495
Total expenses	<u>38,132,819</u>	<u>36,919,769</u>	<u>1,499,696</u>	<u>1,459,069</u>	<u>39,632,515</u>	<u>38,378,838</u>
Transfers	<u>(25,000)</u>	<u>(50,000)</u>	<u>25,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Changes in net position	441,753	1,385,741	(63,148)	(17,648)	378,605	1,368,093
Net position (deficit) at beginning of year	<u>(22,714,483)</u>	<u>(24,100,224)</u>	<u>(1,499,401)</u>	<u>(1,481,753)</u>	<u>(24,213,884)</u>	<u>(25,581,977)</u>
Net position (deficit) at end of year	<u>\$ (22,272,730)</u>	<u>\$ (22,714,483)</u>	<u>\$ (1,562,549)</u>	<u>\$ (1,499,401)</u>	<u>\$ (23,835,279)</u>	<u>\$ (24,213,884)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program expenses:				
Instruction:				
Regular	\$ 12,768,160	\$ 11,350,893	\$ 11,811,279	\$ 10,287,602
Special	4,587,935	1,388,338	4,482,288	1,311,559
Vocational	2,575,872	1,940,259	2,630,154	2,040,339
Adult/continuing	79,174	21,313	98,044	22,690
Other	3,069,891	3,069,891	2,937,462	2,937,462
Support services:				
Pupil	1,113,327	1,000,859	1,126,361	1,062,457
Instructional staff	892,028	710,707	945,461	752,315
Board of education	30,517	30,517	32,087	32,087
Administration	2,734,920	2,696,044	2,479,473	2,424,821
Fiscal	727,310	727,310	727,223	727,223
Business	70,654	70,125	72,104	71,550
Operations and maintenance	3,031,037	3,027,273	3,452,916	3,449,894
Pupil transportation	1,816,662	1,687,498	1,679,928	1,542,669
Central	287,880	227,237	218,532	153,771
Operation of non-instructional services:				
Food service operations	1,618,449	159,892	1,436,417	91,927
Other non-instructional services	537,696	(22,032)	508,091	4,671
Extracurricular activities	617,407	475,690	604,666	440,463
Interest and fiscal charges	1,573,900	1,573,900	1,677,283	1,677,283
Total expenses	<u>\$ 38,132,819</u>	<u>\$ 30,135,714</u>	<u>\$ 36,919,769</u>	<u>\$ 29,030,783</u>

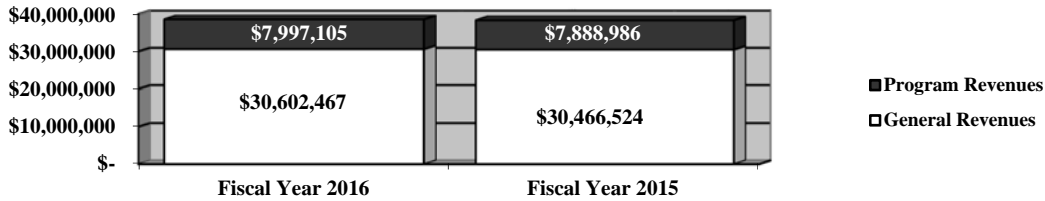
**MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The dependence upon tax revenues during fiscal year 2016 for governmental activities is apparent, as 76.99% of instruction activities are supported through taxes and other general revenues. In fiscal year 2016, 79.03% of total governmental activities program expenses were supported by general revenues. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio as a whole, are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



Business-Type Activities

Business-type activities include adult education and the preschool. These programs had revenues of \$1,411,548, and recognized expenses of \$1,499,696 during fiscal year 2016. The District's business-type activities receive no direct support from taxes.

The District's Funds

The District's governmental funds reported a combined fund balance of \$6,887,047, which is higher than last year's total balance of \$6,492,749. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and June 30, 2015.

	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Change
General	\$ 3,724,154	\$ 3,170,433	\$ 553,721
Nonmajor governmental	3,162,893	3,322,316	(159,423)
Total	\$ 6,887,047	\$ 6,492,749	\$ 394,298

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

General Fund

The District's general fund balance increased \$553,721 during fiscal year 2016.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2016 Amount	2015 Amount	Change	Change
<u>Revenues</u>				
Taxes	\$ 9,641,758	\$ 10,641,957	\$ (1,000,199)	(9.40) %
Tuition	1,197,096	1,334,782	(137,686)	(10.32) %
Transportation fees	16,597	12,369	4,228	34.18 %
Earnings on investments	98,486	55,418	43,068	77.71 %
Other	345,434	251,537	93,897	37.33 %
Payments in lieu of taxes	245,090	254,098	(9,008)	(3.55) %
Intergovernmental	21,052,574	19,643,500	1,409,074	7.17 %
Total	<u>\$ 32,597,035</u>	<u>\$ 32,193,661</u>	<u>\$ 403,374</u>	1.25 %

Revenues of the general fund increased \$403,374 or 1.25% during fiscal year 2016. Taxes in the general fund decreased \$1,000,199 or 9.40% due to a decrease in the amount of property taxes available as an advance from the Richland County Auditor at June 30, 2016. The amount of tax advances available from the County Auditor can vary depending upon when tax bills are distributed. Tuition revenue decreased \$137,686 due to lower revenues for open enrollment and funding through the state foundation for students with disabilities. The District saw an increase in intergovernmental revenues of \$1,409,074 due to an increase in state foundation payments. Earnings on investments increased due to the addition of an investment account for the District's self-funded insurance.

The table that follows assists in illustrating the expenditures of the general fund.

	2016 Amount	2015 Amount	Change	Change
<u>Expenditures</u>				
Instruction	\$ 21,122,047	\$ 20,881,617	\$ 240,430	1.15 %
Support services	9,870,691	9,880,821	(10,130)	(0.10) %
Extracurricular activities	451,938	432,620	19,318	4.47 %
Facilities acquisition and construction	565,465	357,087	208,378	58.35 %
Debt service	20,879	20,879	-	- %
Total	<u>\$ 32,031,020</u>	<u>\$ 31,573,024</u>	<u>\$ 457,996</u>	1.45 %

Expenditures of the general fund increased \$457,996 or 1.45%. instruction services expenditures increased \$240,430 due to an increase in regular and other instruction expenditures. Facilities acquisition and construction increased due mainly to an increase in asset acquisitions and construction throughout the fiscal year including the addition of a new roof at South Elementary. The District also recognized capital outlay and debt service expenditures related to a capital lease agreement executed during the prior year.

Proprietary Funds

The District's proprietary funds provide similar information as is found in the government-wide statements for business-type activities, but in more detail.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, cash disbursements and encumbrances. The most significant budgeted fund is the general fund.

The District uses site-based budgeting, which is designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$32,444,784 which did not change from the original budget estimates. Actual revenues and other financing sources were \$32,873,220, which was \$428,436 higher than the final budgeted revenues and other financing sources.

General fund original appropriations and other financing uses of \$31,418,589 were increased by \$536,844 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled 31,953,179, which was lower than the final budgeted appropriations and other financing uses by \$2,254.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$36,591,225 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Of this total, \$36,555,127 was reported in the governmental activities and \$36,098 was reported in the business-type activities.

The following table shows June 30, 2016 balances compared to June 30, 2015.

	Capital Assets at June 30 (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 395,721	\$ 395,721	\$ -	\$ -	\$ 395,721	\$ 395,721
Land improvements	335,507	363,774	-	-	335,507	363,774
Building and improvements	34,083,813	34,739,368	-	-	34,083,813	34,739,368
Furniture and equipment	1,164,030	1,169,415	36,098	27,977	1,200,128	1,197,392
Vehicles	576,056	459,437	-	-	576,056	459,437
Total	<u>\$ 36,555,127</u>	<u>\$ 37,127,715</u>	<u>\$ 36,098</u>	<u>\$ 27,977</u>	<u>\$ 36,591,225</u>	<u>\$ 37,155,692</u>

The decrease in capital assets, net of depreciation, in the governmental activities of \$572,588 is attributable to current year depreciation of \$1,172,702 and disposals of \$16,722 exceeding current year additions of \$616,836 during 2016 of various assets with a net book value totaling \$36,555,127.

See Note 10 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2016, the District had \$26,295,592 in general obligation bonds, capital appreciation bonds, accreted interest on capital appreciation bonds, and capital lease obligations outstanding. Of this balance, \$859 in capital lease obligations is reported among the business-type activities. Of the District's total long-term debt obligations, \$516,058 is due within one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The following table summarizes the bonds and accreted interest obligations outstanding at June 30, 2016 and June 30, 2015.

Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
General obligation bonds:				
General obligation bonds	\$ 24,555,000	\$ 24,595,000	\$ -	\$ -
Capital appreciation bonds	496,694	644,667	-	-
Accreted interest	1,232,840	1,144,529	-	-
Total general obligation bonds	<u>26,284,534</u>	<u>26,384,196</u>	<u>-</u>	<u>-</u>
Capital lease obligation payable	<u>10,199</u>	<u>29,901</u>	<u>859</u>	<u>2,518</u>
Total governmental activities	<u>\$ 26,294,733</u>	<u>\$ 26,414,097</u>	<u>\$ 859</u>	<u>\$ 2,518</u>

At June 30, 2016, the District's overall legal debt margin was \$3,880,876 and its unvoted debt margin was \$312,892.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District ended fiscal year 2016 with an unencumbered budgetary-basis balance of \$5,075,636 in the general fund. The District has been able to reduce staff and expenditures over the past five fiscal years to avoid a deficit situation. During the year, the District's total revenues exceeded expenses by \$920,035. A 6.9 mil operating levy that was renewed in May of 2007 was again put to the voters for renewal in 2012, and it was passed. The collections on that levy will be received through December of 2017. Based on the assumptions at this time, the District projects an unencumbered budgetary-basis balance of \$5,364,420 for fiscal year 2017 and \$5,222,631 for fiscal year 2018. These increases are in a large part due to the projection of a 7.5% and 5% increases from the State Foundation over the next two years.

The District developed a strategic plan in 2008. The facilities portion of the plan suggested moving the ninth grade students to the high school for the 2008-2009 school year, which was accomplished. The school was also in line to receive funds through the Ohio School Facilities Commission (OSFC) program. The Board completed a year long process with the community on whether to build new facilities and accept the OSFC plan. The Board decided, based on the input from the community, to put a bond issue on the November 3, 2009 ballot asking for a 7 mil levy for the construction of a pre-kindergarten to eighth grade building and a ½ mil maintenance levy. The levy was defeated by a wide margin, so the Board went back to the community and revised the bond issue to build a fifth through eighth grade middle school building and put it on the ballot in May of 2010. The levy was defeated by 41 votes. The District then put the same issue back on the ballot at a special election in August of 2010. This time the issue passed by over 700 votes. The District has completed the new 5-8 grade middle school building on the site of the Wooster Heights Elementary School. The Wooster Heights Elementary School was razed in the summer of 2011. We also razed the Junior High school building located on Ashland road. This was completed in May 2014. The Seventh and Eighth grade students moved into the new Middle school in January 2014 and the Fifth and Sixth grade students moved into the new Middle School in August, 2014. South Elementary school now houses students from Preschool through Fourth grade and Eastview and Mifflin Elementary schools house students from Kindergarten to Fourth grade.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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: Mrs. Robin Klenk, Treasurer of Madison Local School District, at 1379 Grace Street, Mansfield, Ohio, 44905-2742.

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

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and Investments.	\$ 13,422,193	\$ 375,718	\$ 13,797,911
Receivables:			
Property taxes	12,288,684	-	12,288,684
Accounts.	57,075	26,523	83,598
Accrued interest	22,087	-	22,087
Intergovernmental	241,912	8,979	250,891
Inventory held for resale.	16,340	-	16,340
Internal balance	616	(616)	-
Capital assets:			
Nondepreciable capital assets	395,721	-	395,721
Depreciable capital assets, net.	36,159,406	36,098	36,195,504
Capital assets, net.	36,555,127	36,098	36,591,225
Total assets.	62,604,034	446,702	63,050,736
Deferred outflows of resources:			
Pension - STRS	3,599,477	139,171	3,738,648
Pension - SERS	575,003	49,426	624,429
Total deferred outflows of resources	4,174,480	188,597	4,363,077
Liabilities:			
Accounts payable.	6,554	39	6,593
Accrued wages and benefits payable.	2,959,698	54,218	3,013,916
Intergovernmental payable	92,666	629	93,295
Pension and post employment benefits payable.	423,671	15,777	439,448
Accrued interest payable	105,860	20	105,880
Unearned revenue	-	2,146	2,146
Claims payable.	624,690	-	624,690
Long-term liabilities:			
Due within one year.	632,129	5,675	637,804
Due in more than one year:			
Net pension liability	42,192,594	1,921,918	44,114,512
Other amounts due in more than one year	28,344,267	39,105	28,383,372
Total liabilities	75,382,129	2,039,527	77,421,656
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	9,554,214	-	9,554,214
Unamortized gain on debt refunding	335,798	-	335,798
Pension - STRS.	3,521,044	136,139	3,657,183
Pension - SERS.	258,059	22,182	280,241
Total deferred inflows of resources	13,669,115	158,321	13,827,436
Net position:			
Net investment in capital assets	9,817,387	35,239	9,852,626
Restricted for:			
Capital projects	1,242,229	-	1,242,229
Classroom facilities maintenance	1,030,639	-	1,030,639
Locally funded programs	2,399	-	2,399
State funded programs.	23,560	-	23,560
Federally funded programs	58,561	-	58,561
Student activities	57,265	-	57,265
Other purposes	92,359	-	92,359
Unrestricted (deficit)	(34,597,129)	(1,597,788)	(36,194,917)
Total net position (deficit).	\$ (22,272,730)	\$ (1,562,549)	\$ (23,835,279)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 12,768,160	\$ 1,209,833	\$ 207,434
Special	4,587,935	121,397	3,078,200
Vocational	2,575,872	63,449	572,164
Adult/continuing.	79,174	-	57,861
Other	3,069,891	-	-
Support services:			
Pupil.	1,113,327	-	112,468
Instructional staff	892,028	-	181,321
Board of education	30,517	-	-
Administration.	2,734,920	-	38,876
Fiscal.	727,310	-	-
Business.	70,654	517	12
Operations and maintenance	3,031,037	3,764	-
Pupil transportation.	1,816,662	16,597	112,567
Central	287,880	-	60,643
Operation of non-instructional services:			
Other non-instructional services	537,696	-	559,728
Food service operations	1,618,449	311,190	1,147,367
Extracurricular activities.	617,407	136,052	5,665
Interest and fiscal charges	1,573,900	-	-
Total governmental activities	38,132,819	1,862,799	6,134,306
Business-type activities:			
Adult education	1,013,377	702,087	222,741
Special enterprise	486,319	445,120	41,600
Total business-type activities	1,499,696	1,147,207	264,341
Totals	\$ 39,632,515	\$ 3,010,006	\$ 6,398,647

General revenues:

Property taxes levied for:
General purposes
Debt service.
Special revenue.
Payments in lieu of taxes.
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers
Change in net position
Net position (deficit) at beginning of year.
Net position (deficit) at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (11,350,893)	\$ -	\$ (11,350,893)
(1,388,338)	-	(1,388,338)
(1,940,259)	-	(1,940,259)
(21,313)	-	(21,313)
(3,069,891)	-	(3,069,891)
(1,000,859)	-	(1,000,859)
(710,707)	-	(710,707)
(30,517)	-	(30,517)
(2,696,044)	-	(2,696,044)
(727,310)	-	(727,310)
(70,125)	-	(70,125)
(3,027,273)	-	(3,027,273)
(1,687,498)	-	(1,687,498)
(227,237)	-	(227,237)
22,032	-	22,032
(159,892)	-	(159,892)
(475,690)	-	(475,690)
(1,573,900)	-	(1,573,900)
(30,135,714)	-	(30,135,714)
-	(88,549)	(88,549)
-	401	401
-	(88,148)	(88,148)
(30,135,714)	(88,148)	(30,223,862)
9,604,456	-	9,604,456
1,201,100	-	1,201,100
129,809	-	129,809
245,090	-	245,090
19,147,577	-	19,147,577
104,178	-	104,178
170,257	-	170,257
30,602,467	-	30,602,467
(25,000)	25,000	-
30,577,467	25,000	30,602,467
441,753	(63,148)	378,605
(22,714,483)	(1,499,401)	(24,213,884)
\$ (22,272,730)	\$ (1,562,549)	\$ (23,835,279)

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments.	\$ 5,234,418	\$ 3,272,394	\$ 8,506,812
Receivables:			
Property taxes.	10,773,180	1,515,504	12,288,684
Accounts	57,075	-	57,075
Accrued interest	22,087	-	22,087
Intergovernmental.	117,938	123,974	241,912
Inventory held for resale.	-	16,340	16,340
Total assets	\$ 16,204,698	\$ 4,928,212	\$ 21,132,910
Liabilities:			
Accounts payable	\$ 6,075	\$ -	\$ 6,075
Accrued wages and benefits payable	2,687,217	272,481	2,959,698
Intergovernmental payable	89,931	2,735	92,666
Pension and postemployment benefits payable	375,137	48,534	423,671
Total liabilities.	3,158,360	323,750	3,482,110
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	8,344,123	1,210,091	9,554,214
Delinquent property tax revenue not available.	855,022	107,504	962,526
Intergovernmental revenue not available.	115,831	123,974	239,805
Accrued interest not available.	7,208	-	7,208
Total deferred inflows of resources	9,322,184	1,441,569	10,763,753
Fund balances:			
Restricted:			
Debt service	-	772,329	772,329
Capital improvements	-	1,221,305	1,221,305
Classroom facilities maintenance	-	1,020,424	1,020,424
Food service operations	-	122,085	122,085
Non-public schools	-	60,405	60,405
Vocational education.	-	364	364
Other purposes.	-	12,372	12,372
Extracurricular activities.	-	57,265	57,265
Committed:			
Capital improvements	-	44,118	44,118
Assigned:			
Student and staff support.	52,245	-	52,245
School supplies	41,842	-	41,842
Other purposes.	35,789	-	35,789
Unassigned (deficit)	3,594,278	(147,774)	3,446,504
Total fund balances	3,724,154	3,162,893	6,887,047
Total liabilities, deferred inflows and fund balances	\$ 16,204,698	\$ 4,928,212	\$ 21,132,910

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	6,887,047
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			36,555,127
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	962,526	
Accrued interest receivable		7,208	
Intergovernmental receivable		239,805	
Total		1,209,539	1,209,539
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			4,290,828
Unamortized premiums on bonds issued are not recognized in the funds.			(1,340,049)
Unamortized amounts on refundings are not recognized in the funds.			(335,798)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(105,860)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		4,174,480	
Deferred inflows of resources - pension		(3,779,103)	
Net pension liability		(42,192,594)	
Total		(41,797,217)	(41,797,217)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(26,284,534)	
Capital lease obligations		(10,199)	
Compensated absences		(1,341,614)	
Total		(27,636,347)	(27,636,347)
Net position (deficit) of governmental activities		\$	(22,272,730)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Property taxes	\$ 9,641,758	\$ 1,334,163	\$ 10,975,921
Payment in lieu of taxes	245,090	-	245,090
Tuition	1,197,096	-	1,197,096
Transportation fees	16,597	-	16,597
Earnings on investments	98,486	1,589	100,075
Charges for services	-	311,190	311,190
Extracurricular	267	138,621	138,888
Classroom materials and fees	125,644	-	125,644
Rental income	3,764	-	3,764
Contributions and donations	8,561	18,147	26,708
Contract services	60,528	-	60,528
Other local revenues	146,670	27,070	173,740
Intergovernmental - state	20,669,800	863,976	21,533,776
Intergovernmental - federal	382,774	3,287,759	3,670,533
Total revenues	32,597,035	5,982,515	38,579,550
Expenditures:			
Current:			
Instruction:			
Regular	12,311,023	216,809	12,527,832
Special	3,275,729	1,227,654	4,503,383
Vocational	2,462,710	25,672	2,488,382
Adult/continuing	-	57,699	57,699
Other	3,072,585	-	3,072,585
Support services:			
Pupil	991,755	111,232	1,102,987
Instructional staff	688,913	177,714	866,627
Board of education	30,781	-	30,781
Administration	2,625,488	38,454	2,663,942
Fiscal	687,519	32,008	719,527
Business	70,177	543	70,720
Operations and maintenance	2,824,559	55,868	2,880,427
Pupil transportation	1,722,430	35,082	1,757,512
Central	229,069	60,474	289,543
Operation of non-instructional services:			
Other non-instructional services	-	516,704	516,704
Food service operations	-	1,565,530	1,565,530
Extracurricular activities	451,938	143,184	595,122
Facilities acquisition and construction	565,465	129,623	695,088
Debt service:			
Principal retirement	19,702	500,000	519,702
Interest and fiscal charges	1,177	1,267,736	1,268,913
Total expenditures	32,031,020	6,161,986	38,193,006
Excess (deficiency) of revenues over (under) expenditures	566,015	(179,471)	386,544
Other financing sources (uses):			
Sale of assets	32,706	-	32,706
Transfers in	-	20,000	20,000
Transfers (out)	(45,000)	-	(45,000)
Total other financing sources (uses)	(12,294)	20,000	7,706
Net change in fund balances	553,721	(159,471)	394,250
Fund balances at beginning of year	3,170,433	3,322,316	6,492,749
Increase in reserve for inventory	-	48	48
Fund balances at end of year	\$ 3,724,154	\$ 3,162,893	\$ 6,887,047

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$	394,250
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 616,836	
Current year depreciation	<u>(1,172,702)</u>	
Total		(555,866)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(16,722)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		48
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(40,556)	
Earnings on investments	4,306	
Intergovernmental	<u>36,774</u>	
Total		524
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	500,000	
Capital leases	<u>19,702</u>	
Total		519,702
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	513	
Accreted interest on capital appreciation bonds	(400,338)	
Amortization of bond premiums	82,627	
Amortization of deferred gains	<u>12,211</u>	
Total		(304,987)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		2,425,459
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,913,576)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(91,139)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(15,940)</u>
Change in net position of governmental activities	\$	<u>441,753</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 9,855,316	\$ 9,855,316	\$ 10,110,380	\$ 255,064
Tuition	1,362,323	1,362,323	1,197,097	(165,226)
Transportation fees	12,000	12,000	15,393	3,393
Earnings on investments	45,000	45,000	63,527	18,527
Classroom materials and fees	3,000	3,000	6,565	3,565
Rental income	2,200	2,200	2,738	538
Contributions and donations	300	300	8,561	8,261
Contract services	-	-	19,306	19,306
Other local revenues	278,085	278,085	299,659	21,574
Intergovernmental - state	20,693,605	20,693,605	20,677,665	(15,940)
Intergovernmental - federal	22,000	22,000	65,967	43,967
Total revenues	<u>32,273,829</u>	<u>32,273,829</u>	<u>32,466,858</u>	<u>193,029</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,826,776	12,064,593	12,181,776	(117,183)
Special	3,309,772	3,362,476	3,307,728	54,748
Vocational	2,381,855	2,406,811	2,429,960	(23,149)
Other	3,016,224	3,060,641	3,075,451	(14,810)
Support services:				
Pupil	1,023,193	1,038,501	1,017,626	20,875
Instructional staff	783,782	793,845	688,860	104,985
Board of education	32,600	33,080	31,685	1,395
Administration	2,517,404	2,555,432	2,631,364	(75,932)
Fiscal	701,010	711,333	691,541	19,792
Business	69,159	70,177	70,185	(8)
Operations and maintenance	3,011,839	3,067,565	2,853,920	213,645
Pupil transportation	1,726,885	1,754,442	1,742,382	12,060
Central	198,995	201,792	178,832	22,960
Extracurricular activities	449,769	459,345	441,404	17,941
Facilities acquisition and construction	324,979	330,400	565,465	(235,065)
Total expenditures	<u>31,374,242</u>	<u>31,910,433</u>	<u>31,908,179</u>	<u>2,254</u>
Excess of revenues over expenditures	<u>899,587</u>	<u>363,396</u>	<u>558,679</u>	<u>195,283</u>
Other financing sources (uses):				
Refund of prior year's expenditures	165,955	165,955	373,656	207,701
Transfers (out)	(44,347)	(45,000)	(45,000)	-
Sale of capital assets	5,000	5,000	32,706	27,706
Total other financing sources (uses)	<u>126,608</u>	<u>125,955</u>	<u>361,362</u>	<u>235,407</u>
Net change in fund balance	1,026,195	489,351	920,041	430,690
Fund balance at beginning of year	<u>4,155,595</u>	<u>4,155,595</u>	<u>4,155,595</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,181,790</u>	<u>\$ 4,644,946</u>	<u>\$ 5,075,636</u>	<u>\$ 430,690</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Adult Education	Nonmajor Enterprise Funds - Preschool	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Assets:				
Equity in pooled cash and investments	\$ 218,345	\$ 157,373	\$ 375,718	\$ 4,915,381
Receivables:				
Accounts	-	26,523	26,523	-
Intergovernmental.	-	8,979	8,979	-
Total current assets	<u>218,345</u>	<u>192,875</u>	<u>411,220</u>	<u>4,915,381</u>
Noncurrent assets:				
Depreciable capital assets, net	<u>36,098</u>	<u>-</u>	<u>36,098</u>	<u>-</u>
Total assets.	<u>254,443</u>	<u>192,875</u>	<u>447,318</u>	<u>4,915,381</u>
Deferred outflows of resources:				
Pension - STRS	125,688	13,483	139,171	-
Pension - SERS	<u>14,463</u>	<u>34,963</u>	<u>49,426</u>	<u>-</u>
Total deferred outflows of resources	<u>140,151</u>	<u>48,446</u>	<u>188,597</u>	<u>-</u>
Liabilities:				
Accounts payable.	-	39	39	479
Accrued wages and benefits	30,035	24,183	54,218	-
Compensated absences.	3,092	1,724	4,816	-
Pension and postemployment benefits payable.	9,840	5,937	15,777	-
Intergovernmental payable	327	302	629	-
Capital leases payable	859	-	859	-
Claims payable	-	-	-	624,690
Accrued interest payable	20	-	20	-
Unearned revenue	<u>-</u>	<u>2,146</u>	<u>2,146</u>	<u>-</u>
Total current liabilities	<u>44,173</u>	<u>34,331</u>	<u>78,504</u>	<u>625,169</u>
Long-term liabilities:				
Compensated absences payable.	39,105	-	39,105	-
Net pension liability	<u>1,413,298</u>	<u>508,620</u>	<u>1,921,918</u>	<u>-</u>
Total long-term liabilities	<u>1,452,403</u>	<u>508,620</u>	<u>1,961,023</u>	<u>-</u>
Total liabilities	<u>1,496,576</u>	<u>542,951</u>	<u>2,039,527</u>	<u>625,169</u>
Deferred inflows of resources:				
Pension - STRS	122,949	13,190	136,139	-
Pension - SERS	<u>6,491</u>	<u>15,691</u>	<u>22,182</u>	<u>-</u>
Total deferred inflows of resources	<u>129,440</u>	<u>28,881</u>	<u>158,321</u>	<u>-</u>
Net position:				
Net investment in capital assets	35,239	-	35,239	-
Unrestricted (deficit).	<u>(1,266,661)</u>	<u>(330,511)</u>	<u>(1,597,172)</u>	<u>4,290,212</u>
Total net position (deficit).	<u>\$ (1,231,422)</u>	<u>\$ (330,511)</u>	<u>(1,561,933)</u>	<u>\$ 4,290,212</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.			(616)	
Net position (deficit) of business-type activities.			<u>\$ (1,562,549)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Adult Education	Nonmajor Enterprise Funds - Preschool	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:				
Tuition and fees.	\$ 600,931	\$ 445,120	\$ 1,046,051	\$ -
Sales/charges for services.	101,156	-	101,156	6,308,617
Total operating revenues	<u>702,087</u>	<u>445,120</u>	<u>1,147,207</u>	<u>6,308,617</u>
Operating expenses:				
Personal services.	721,590	342,279	1,063,869	-
Purchased services.	96,257	85,617	181,874	946,443
Materials and supplies	164,331	49,141	213,472	-
Other.	13,327	5,984	19,311	61,014
Claims	-	-	-	5,334,487
Depreciation	3,723	-	3,723	-
Total operating expenses.	<u>999,228</u>	<u>483,021</u>	<u>1,482,249</u>	<u>6,341,944</u>
Operating (loss)	<u>(297,141)</u>	<u>(37,901)</u>	<u>(335,042)</u>	<u>(33,327)</u>
Nonoperating revenues (expenses):				
Grants and subsidies.	222,741	41,600	264,341	-
Interest expense.	(60)	-	(60)	-
Total nonoperating revenues (expenses).	<u>222,681</u>	<u>41,600</u>	<u>264,281</u>	<u>-</u>
Income (loss) before transfers	(74,460)	3,699	(70,761)	(33,327)
Transfer in	25,000	-	25,000	-
Change in net position	(49,460)	3,699	(45,761)	(33,327)
Net position (deficit) at beginning of year.	<u>(1,181,962)</u>	<u>(334,210)</u>		<u>4,323,539</u>
Net position (deficit) at end of year	<u>\$ (1,231,422)</u>	<u>\$ (330,511)</u>		<u>\$ 4,290,212</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.			(17,387)	
Changes in net position of business-type activities.			<u>\$ (63,148)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Adult Education	Nonmajor Enterprise Funds - Preschool	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:				
Cash received from tuition and fees	\$ 600,931	\$ 438,486	\$ 1,039,417	\$ -
Cash received from sales/charges for services.	101,156	-	101,156	6,308,617
Cash payments for personal services.	(777,685)	(334,289)	(1,111,974)	-
Cash payments for contractual services	(96,257)	(85,617)	(181,874)	(946,443)
Cash payments for materials and supplies	(164,331)	(49,141)	(213,472)	-
Cash payments for claims	-	-	-	(5,280,797)
Cash payments for other expenses	(13,327)	(5,984)	(19,311)	(60,535)
Net cash provided by (used in) operating activities	(349,513)	(36,545)	(386,058)	20,842
Cash flows from noncapital financing activities:				
Cash received from grants and subsidies.	222,741	40,011	262,752	-
Cash received from transfers in	25,000	-	25,000	-
Net cash provided by noncapital financing activities.	247,741	40,011	287,752	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(11,844)	-	(11,844)	-
Principal retirement on capital lease payable	(1,659)	-	(1,659)	-
Interest and fiscal charges	(99)	-	(99)	-
Net cash used in capital and related financing activities.	(13,602)	-	(13,602)	-
Net increase (decrease) in cash and cash cash equivalents	(115,374)	3,466	(111,908)	20,842
Cash and cash equivalents at beginning of year	333,719	153,907	487,626	4,894,539
Cash and cash equivalents at end of year	\$ 218,345	\$ 157,373	\$ 375,718	\$ 4,915,381
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:				
Operating (loss)	\$ (297,141)	\$ (37,901)	\$ (335,042)	\$ (33,327)
Adjustments:				
Depreciation.	3,723	-	3,723	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable.	-	(7,271)	(7,271)	-
Deferred outflows - pension - STRS	(46,225)	(4,570)	(50,795)	-
Deferred outflows - pension - SERS	(2,613)	(7,907)	(10,520)	-
Accounts payable	-	35	35	479
Accrued wages and benefits	757	3,208	3,965	-
Intergovernmental payable.	(2,162)	(881)	(3,043)	-
Compensated absences payable.	6,438	790	7,228	-
Pension and postemployment benefits payable.	(12,055)	517	(11,538)	-
Unearned revenue	-	602	602	-
Claims payable	-	-	-	53,690
Net pension liability	108,576	63,214	171,790	-
Deferred inflows - pension - STRS	(92,944)	(11,025)	(103,969)	-
Deferred inflows - pension - SERS	(15,867)	(35,356)	(51,223)	-
Net cash provided by (used in) operating activities.	\$ (349,513)	\$ (36,545)	\$ (386,058)	\$ 20,842

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 15,422	\$ 36,319
Total assets.	15,422	\$ 36,319
Liabilities:		
Due to students.	-	\$ 36,319
Total liabilities	-	\$ 36,319
Net position:		
Held in trust for scholarships	15,422	
Total net position.	\$ 15,422	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2
Gifts and contributions	800
Total additions	802
 Deductions:	
Scholarships awarded	7,300
Change in net position	(6,498)
Net position at beginning of year	21,920
Net position at end of year	\$ 15,422

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Madison Local School District (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 a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by statute and further mandated by State and/or federal agencies. This Board controls the District's 5 instructional/support facilities staffed by 136 classified and 272 certified full-time teaching personnel, who provide services to 3,069 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Richland, Marion, Morrow, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2016, the District paid \$192,757 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

INSURANCE PURCHASING POOL

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by Sheakley UniServe, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

Schools of Ohio Risk Sharing Authority

The District also participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

The following is the District's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, (b) financial resources that are restricted, committed, or assigned to expenditure for principal and interest and (c) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary funds:

Enterprise funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following is the District's only major enterprise fund:

Adult education fund - This fund accounts for educational opportunities offered on a tuition basis to adults living within the community.

A nonmajor enterprise fund of the District accounts for preschool activities.

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The internal service fund of the District is used to account for employee health benefits self-insurance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FIDUCIARY FUNDS

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

C. Basis of Presentation

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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but 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 segment of the business-type activities of the District and 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 are 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. The comparison of direct expenses with program revenues identifies the extent to which each business segment or 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 and enterprise 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. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the adult education and preschool enterprise operations are tuition charged for the programs. The primary operating expenses for the enterprise operations are administrative expenses required to run the programs. The principal operating revenues of the District's internal service fund are charges for services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, 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 (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees, refunds, and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 14 for deferred outflows of resources related to the District's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 14 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the operating statement as an expenditure with a corresponding amount reported as intergovernmental revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds except agency funds. The specific timetable for fiscal year 2016 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for each fund. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2016.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Although the legal level of control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level, which is the legal level of control.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2016, investments were limited to Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities and U.S. government money markets accounts. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$98,486, which includes \$60,046 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. An analysis of the District's accounts at year end is provided in Note 4.

G. Inventory

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market value and donated commodities are presented at their entitlement value. On the government-wide financial statements, inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund financial statements and the consumption method on the government-wide statements.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	20 years	N/A
Buildings and improvements	20 - 40 years	N/A
Furniture and equipment	5 - 20 years	8 - 15 years
Vehicles	6 - 8 years	N/A

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the statement of net position date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absences liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds; however, claims and judgments, net pension liability and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds payable are recognized as liabilities in the fund financial statements when due.

K. 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 classification includes amounts that cannot be spent because they are not in spendable form or legally 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 in the general fund.

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

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 (the highest level of decision making authority). 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund 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 restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

L. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 amount restricted for other purposes represents amounts restricted for food service operations and special trusts.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Parochial Schools

St. Mary and Mansfield Christian Schools operate within the District’s boundaries. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District as directed by the parochial schools. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting purposes.

N. Estimates

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Unamortized Bond Premiums and Discounts / Accounting Gain or Loss

Bond premiums are deferred and amortized over the term of the bonds. Using the straight-line method, which approximates the effective interest method, bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred inflow of resources.

On the governmental fund financial statements bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.

P. Pensions

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

R. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

S. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 37
IDEA Part B	67,419
Title I	64,467
Improving teacher quality	15,851

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

A. Cash on Hand

At fiscal year end, the District had \$1,050 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$4,733,616. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2016, \$4,010,470 of the District's bank balance of \$4,839,467 was exposed to custodial risk as discussed below, while \$828,997 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2016, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
U.S. Government Money Market	\$ 1,841,494	\$ 1,841,494	\$ -	\$ -	\$ -	\$ -
FFCB	2,760,862	-	-	400,008	-	2,360,854
FHLB	1,702,918	300,433	-	200,281	-	1,202,204
FHLMC	601,497	-	-	-	-	601,497
FNMA	2,208,215	-	400,358	401,105	400,050	1,006,702
Total	<u>\$ 9,114,986</u>	<u>\$ 2,141,927</u>	<u>\$ 400,358</u>	<u>\$ 1,001,394</u>	<u>\$ 400,050</u>	<u>\$ 5,171,257</u>

The District's investments in federal agency securities and U.S. Government money market funds are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned the U.S. Government money markets an AAAM money market rating. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agency but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
U.S. Government Money Market	\$ 1,841,494	20.20
FFCB	2,760,862	30.29
FHLB	1,702,918	18.68
FHLMC	601,497	6.60
FNMA	2,208,215	24.23
Total	<u>\$ 9,114,986</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,733,616
Investments	9,114,986
Cash on hand	<u>1,050</u>
Total	<u>\$ 13,849,652</u>
Governmental activities	\$ 13,422,193
Business-type activities	375,718
Private-purpose trust funds	15,422
Agency funds	<u>36,319</u>
Total	<u>\$ 13,849,652</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund statements:

Transfer from general fund to:

Nonmajor governmental fund	\$ 20,000
Adult education enterprise fund	<u>25,000</u>
Total	<u>\$ 45,000</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer to the adult education enterprise fund was made to provide additional resources to the District's adult education program.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities. Transfers between governmental activities and business-type activities are reported as transfers on the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Richland 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, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$1,574,035 in the general fund, \$179,103 in the bond retirement fund (a nonmajor governmental fund) and \$18,806 in the classroom facilities maintenance fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2015 was \$2,042,657 in the general fund, \$228,856 in the bond retirement fund (a nonmajor governmental fund) and \$24,683 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 297,411,100	94.93	\$ 296,462,060	94.75
Public utility personal	<u>15,878,680</u>	<u>5.07</u>	<u>16,429,510</u>	<u>5.25</u>
Total	<u>\$ 313,289,780</u>	<u>100.00</u>	<u>\$ 312,891,570</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$65.50		\$65.50	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 7 - PAYMENT IN LIEU OF TAXES

The District has entered into tax incremental financing agreements with local companies. These companies were granted reductions or exemptions from property tax obligations to encourage economic development in the area; however, as part of these agreements, the companies make payments in lieu of taxes to the District to compensate the District for its portion of the reduction in property tax receipts. On the governmental fund financial statements, payment in lieu of taxes revenues totaled \$245,090 in the general fund during fiscal year 2016.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 12,288,684
Accounts	57,075
Accrued interest	22,087
Intergovernmental	<u>241,912</u>
Total receivables	<u>\$ 12,609,758</u>

Business-type activities:

Accounts	\$ 26,523
Intergovernmental	<u>8,979</u>
Total receivables	<u>\$ 35,502</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During the prior fiscal year, the District entered into a capitalized lease agreement for copier equipment. The lease agreement meets the criteria of capital leases. A capital lease generally is one which transfers benefits and risks of ownership to the lessee. In the governmental activities, capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements. These expenditures are reported as function expenditures on the budgetary statement. Capital lease payments will be made from the general fund and the adult education enterprise fund.

Capital assets consisting of copier equipment have been capitalized at the present value of the minimum lease payments at the time of acquisition. Corresponding liabilities are recorded in the government-wide financial statements and the proprietary fund statement of net position. Principal payments during fiscal year 2016 totaled \$19,702 paid from the general fund and \$1,659 paid from the adult education enterprise fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

Assets acquired through the capital lease are as follows:

	Governmental Activities	Business-Type Activities
Equipment	\$ 77,100	\$ 6,493
Less: accumulated depreciation	<u>(30,359)</u>	<u>(2,555)</u>
Total	<u>\$ 46,741</u>	<u>\$ 3,938</u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of June 30, 2016:

	Fiscal Year Ended June 30,	Governmental Activities	Business-Type Activities	Total
	2017	\$ 10,439	\$ 879	\$ 11,318
Total		<u>10,439</u>	<u>879</u>	<u>11,318</u>
Less: amount representing interest		<u>(240)</u>	<u>(20)</u>	<u>(260)</u>
Present value of net minimum lease payments		<u>\$ 10,199</u>	<u>\$ 859</u>	<u>\$ 11,058</u>

NOTE 10 - CAPITAL ASSETS

A. Governmental capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance 6/30/15	Additions	Deductions	Balance 6/30/16
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 395,721	\$ -	\$ -	\$ 395,721
Total capital assets, not being depreciated	<u>395,721</u>	<u>-</u>	<u>-</u>	<u>395,721</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,051,992	-	-	1,051,992
Buildings/improvements	45,999,815	320,925	-	46,320,740
Furniture/equipment	3,108,561	99,784	(7,040)	3,201,305
Vehicles	1,985,089	196,127	(103,146)	2,078,070
Total capital assets, being depreciated	<u>52,145,457</u>	<u>616,836</u>	<u>(110,186)</u>	<u>52,652,107</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(688,218)	(28,267)	-	(716,485)
Buildings/improvements	(11,260,447)	(976,480)	-	(12,236,927)
Furniture/equipment	(1,939,146)	(98,762)	633	(2,037,275)
Vehicles	(1,525,652)	(69,193)	92,831	(1,502,014)
Total accumulated depreciation	<u>(15,413,463)</u>	<u>(1,172,702)</u>	<u>93,464</u>	<u>(16,492,701)</u>
Governmental activities capital assets, net	<u>\$ 37,127,715</u>	<u>\$ (555,866)</u>	<u>\$ (16,722)</u>	<u>\$ 36,555,127</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 460,468
Special	127,718
Vocational	135,712
Adult/continuing	21,475
Support services:	
Pupil	21,381
Instructional staff	24,651
Administration	93,727
Fiscal	12,277
Operations and maintenance	96,584
Pupil transportation	63,463
Non-instructional services	22,517
Food service operations	59,726
Extracurricular activities	33,003
Total depreciation expense	<u>\$ 1,172,702</u>

B. Business-type capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance 06/30/15	Additions	Deductions	Balance 06/30/16
Business-type activities:				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 77,848	\$ 11,844	\$ -	\$ 89,692
Less: accumulated depreciation	<u>(49,871)</u>	<u>(3,723)</u>	-	<u>(53,594)</u>
Business-type activities capital assets, net	<u>\$ 27,977</u>	<u>\$ 8,121</u>	-	<u>\$ 36,098</u>

Depreciation expense was recognized among the business-type activities as follows:

Adult Education	<u>\$ 3,723</u>
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**MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2016 the following changes occurred in long-term obligations.

	Balance 06/30/15	Additions	Reductions	Balance 06/30/16	Amounts Due in One Year
Governmental activities:					
General obligation bonds - series 2010					
Current interest bonds	\$ 6,920,000	\$ -	\$ -	\$ 6,920,000	\$ -
Capital appreciation bonds	644,667	-	(147,973)	496,694	123,067
Accreted interest	<u>1,144,529</u>	<u>400,338</u>	<u>(312,027)</u>	<u>1,232,840</u>	<u>356,933</u>
Total general obligation bonds	<u>8,709,196</u>	<u>400,338</u>	<u>(460,000)</u>	<u>8,649,534</u>	<u>480,000</u>
Refunding bonds - series 2014					
Current interest bonds	<u>17,675,000</u>	<u>-</u>	<u>(40,000)</u>	<u>17,635,000</u>	<u>25,000</u>
Total refunding bonds	<u>17,675,000</u>	<u>-</u>	<u>(40,000)</u>	<u>17,635,000</u>	<u>25,000</u>
Capital lease obligation payable	29,901	-	(19,702)	10,199	10,199
Net pension liability	38,081,739	4,110,855	-	42,192,594	-
Compensated absences payable	<u>1,315,272</u>	<u>235,835</u>	<u>(209,493)</u>	<u>1,341,614</u>	<u>116,930</u>
Total governmental activities long-term liabilities	<u>\$ 65,811,108</u>	<u>\$ 4,747,028</u>	<u>\$ (729,195)</u>	<u>\$ 69,828,941</u>	<u>\$ 632,129</u>
Unamortized premium				<u>1,340,049</u>	
Total governmental activities as reported on statement of net position				<u>\$ 71,168,990</u>	
Business-type activities:					
Capital lease obligation payable	\$ 2,518	\$ -	\$ (1,659)	\$ 859	\$ 859
Net pension liability	1,750,128	171,790	-	1,921,918	-
Compensated absences	<u>36,693</u>	<u>16,224</u>	<u>(8,996)</u>	<u>43,921</u>	<u>4,816</u>
Total business-type activities long-term liabilities	<u>\$ 1,789,339</u>	<u>\$ 188,014</u>	<u>\$ (10,655)</u>	<u>\$ 1,966,698</u>	<u>\$ 5,675</u>

Compensated Absences - Compensated absences will be paid from the fund from which the employee is paid, which for the District is primarily the general fund, the adult education enterprise fund, and the preschool enterprise fund.

Capital Lease Payable - The District's capital lease obligation will be paid from the general fund and the adult education enterprise fund. See Note 9 for detail on the District's capital lease obligation.

Net Pension Liability - See Note 14 for details.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- B.** Series 2010 School Improvement General Obligation Bonds - During fiscal year 2011, the District issued \$25,800,138 in general obligation bonds, for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund).

The original issue was comprised of both current interest bonds, par value \$24,990,000, and capital appreciation bonds par value \$810,138. The interest rates on the current interest bonds range from 2.00%-7.30%. The remaining capital appreciation bonds mature on December 1, 2016 (approximate initial offering yield to maturity 3.15%), December 1, 2017 (approximate initial offering yield to maturity 3.49%), December 1, 2018 (approximate initial offering yield to maturity 3.81%), December 1, 2019 (approximate initial offering yield to maturity 4.10%), December 1, 2020 (approximate initial offering yield to maturity 4.35%) and December 1, 2021 (approximate initial offering yield to maturity 4.55%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$4,115,000. Total accreted interest of \$1,232,840 for series 2010 has been included on the statement of net position at June 30, 2016.

During fiscal year 2014, \$17,680,000 of the series 2010 general obligation bonds were refunded.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029.

The following is a description of the District's future annual debt service requirements to maturity for bonds payable:

Fiscal Year	Current Interest - Series 2010			Capital Appreciation - Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ -	\$ 460,180	\$ 460,180	\$ 123,067	\$ 356,933	\$ 480,000
2018	-	460,180	460,180	102,180	397,820	500,000
2019	-	460,180	460,180	91,213	468,787	560,000
2020	-	460,180	460,180	74,647	500,353	575,000
2021	-	460,180	460,180	61,053	528,947	590,000
2022 - 2026	-	2,300,900	2,300,900	44,534	495,466	540,000
2027 - 2030	<u>6,920,000</u>	<u>1,610,630</u>	<u>8,530,630</u>	-	-	-
Total	<u>\$ 6,920,000</u>	<u>\$ 6,212,430</u>	<u>\$ 13,132,430</u>	<u>\$ 496,694</u>	<u>\$ 2,748,306</u>	<u>\$ 3,245,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The series 2010 general obligation school improvement bonds require the District to make mandatory sinking fund deposits beginning December 1, 2021. The sinking fund deposits will result in a balloon principal payment of \$6,920,000 made on December 1, 2029. Sinking fund deposits will be made on December 1, in the following fiscal years and in the following amounts.

Fiscal Year	Amounts Due	Amounts Deposited
2017	\$ -	
2018	-	
2019	-	
2020	-	
2021	-	
2022 - 2026	3,235,000	
2027 - 2030	<u>3,685,000</u>	
Total	<u>\$ 6,920,000</u>	<u>\$ -</u>

C. Refunding Bonds, Series 2014

On April 10, 2014, the District issued general obligation refunding bonds (Series 2014, refunding bonds). These bonds refunded the \$17,680,000 callable portion of the Series 2010 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. This issue is comprised of current interest bonds, present value \$17,635,000 at June 30, 2016. The balance of the refunded bonds outstanding at June 30, 2016 is \$17,680,000.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2043.

The net carrying amount of the old debt and the refunded premium exceeded the reacquisition price by \$362,764. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments by \$719,006 and resulted in an economic gain of \$310,407.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the District's future annual debt service requirements to maturity for bonds payable:

Fiscal Year	Refunding Bonds 2014		
	Principal	Interest	Total
2017	\$ 25,000	\$ 807,069	\$ 832,069
2018	25,000	806,694	831,694
2019	25,000	806,319	831,319
2020	25,000	805,881	830,881
2021	25,000	805,350	830,350
2022 - 2026	20,000	4,023,095	4,043,095
2027 - 2031	855,000	4,007,348	4,862,348
2032 - 2036	5,420,000	3,212,458	8,632,458
2037 - 2041	6,985,000	1,626,433	8,611,433
2042 - 2044	4,230,000	240,481	4,470,481
Total	<u>\$ 17,635,000</u>	<u>\$ 17,141,128</u>	<u>\$ 34,776,128</u>

- D.** The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$3,880,876 (including available funds of \$772,329) and an unvoted debt margin of \$312,892.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn up to 25 days of vacation per year, depending upon the length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given 20 days of vacation per year by contract. Any unused vacation days at the end of the contract are forfeited.

Administrators, teachers, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to 320 days. Upon retirement, full-time certified and classified employees receive a payment of 25% of their unused sick leave balance up to a maximum of 72.5 days.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability: Each occurrence	SORSA	\$ 15,000,000	\$0
Property/Boiler and Machinery	SORSA	200,100,000	0
Automobile: Bodily Injury & Property Damage	SORSA	15,000,000	0

Settled claims resulting from these risks have not exceeded commercial insurance coverage nor has insurance coverage been significantly reduced in any of the past three fiscal years.

B. Health Care Self-Insurance Program

The District provides the following insurance coverage for employees, which is administered through Medical Mutual of Ohio. The District has also purchased a commercial "stop-loss" policy for its self-insurance plan with a \$100,000 per covered person threshold.

Certified employees receive hospital, surgical and major medical, dental, vision and prescription drug coverage. The total monthly cost was \$597.74 for single coverage and \$1,614.96 for family coverage for fiscal year 2016. The District paid 93% of single and family coverage.

Classified employees receive hospital, surgical and major medical, dental, vision and prescription drug coverage. The monthly cost was \$748.10 for single coverage and \$2,039.17 for family coverage for fiscal year 2016. The District paid 93% of single and family coverage.

The claims liability of \$624,690 reported in the internal service fund at June 30, 2016, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*," as amended by GASB Statement No. 30, "*Risk Financing Omnibus*," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - RISK MANAGEMENT - (Continued)

Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Beginning of Year	Claims	Payments	End of Year
2016	\$ 571,000	\$ 5,334,487	\$ (5,280,797)	\$ 624,690
2015	690,000	4,716,899	(4,835,899)	571,000

C. Workers' Compensation Group Rating Plan

For fiscal year 2016, the District participated in a Workers' Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniServe, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$516,444 for fiscal year 2016. Of this amount, \$42,535 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among 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. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,025,286 for fiscal year 2016. Of this amount, \$337,260 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 6,671,888	\$ 37,442,624	\$ 44,114,512
Proportion of the net pension liability	0.11692560%	0.13547969%	
Pension expense	\$ 402,807	\$ 1,582,321	\$ 1,985,128

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 107,985	\$ 1,713,362	\$ 1,821,347
District contributions subsequent to the measurement date	<u>516,444</u>	<u>2,025,286</u>	<u>2,541,730</u>
Total deferred outflows of resources	<u>\$ 624,429</u>	<u>\$ 3,738,648</u>	<u>\$ 4,363,077</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 229,252	\$ 2,816,836	\$ 3,046,088
Changes in employer's proportionate percentage/ difference between the employer's contributions and the employer's proportionate share of contributions	<u>50,989</u>	<u>840,347</u>	<u>891,336</u>
Total deferred inflows of resources	<u>\$ 280,241</u>	<u>\$ 3,657,183</u>	<u>\$ 3,937,424</u>

\$2,541,730 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (99,283)	\$ (856,953)	\$ (956,236)
2018	(99,283)	(856,953)	(956,236)
2019	(99,283)	(856,954)	(956,237)
2020	<u>125,593</u>	<u>627,039</u>	<u>752,632</u>
Total	<u>\$ (172,256)</u>	<u>\$ (1,943,821)</u>	<u>\$ (2,116,077)</u>

Actuarial Assumptions - SERS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 9,251,511	\$ 6,671,888	\$ 4,499,633

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 52,010,628	\$ 37,442,624	\$ 25,123,203

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$59,653.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$59,653, \$88,848, and \$57,812, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

Plan Description - The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 15 - POSTEMPLOYMENT BENEFITS

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$136,941, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 920,041
Net adjustment for revenue accruals	(72,024)
Net adjustment for expenditure accruals	60,333
Net adjustment for other sources and uses	(373,656)
Funds budgeted elsewhere	<u>19,027</u>
GAAP basis	<u>\$ 553,721</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the voided checks fund, uniform school supplies fund, special rotary fund and the public school support fund.

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	Capital Improvements
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	527,812
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(158,936)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(368,876)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During fiscal year 2011, the District issued \$25,800,138 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition to zero in future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods. \$559,998 of the \$25,800,138 in proceeds from the issuance had been used as offsets as of June 30, 2016.

Although the District had offsets and qualifying disbursements during the year that reduced the capital improvements set-aside amount to below zero, the excess of current year offsets and qualifying disbursements over the set-aside requirement may not be used to reduce the set-aside requirements of future years. This negative amount is therefore not presented as being carried forward to the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.11692560%	0.11825500%	0.11825500%
District's proportionate share of the net pension liability	\$ 6,671,888	\$ 5,984,818	\$ 7,032,245
District's covered-employee payroll	\$ 3,519,712	\$ 3,436,248	\$ 3,414,234
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.56%	174.17%	205.97%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.13547969%	0.13915392%	0.13915392%
District's proportionate share of the net pension liability	\$ 37,442,624	\$ 33,847,049	\$ 40,318,384
District's covered-employee payroll	\$ 14,135,036	\$ 14,217,685	\$ 13,752,492
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	293.17%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 516,444	\$ 463,898	\$ 476,264	\$ 472,530
Contributions in relation to the contractually required contribution	<u>(516,444)</u>	<u>(463,898)</u>	<u>(476,264)</u>	<u>(472,530)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,688,886	\$ 3,519,712	\$ 3,436,248	\$ 3,414,234
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 477,471	\$ 456,455	\$ 498,064	\$ 360,283	\$ 359,352	\$ 394,739
<u>(477,471)</u>	<u>(456,455)</u>	<u>(498,064)</u>	<u>(360,283)</u>	<u>(359,352)</u>	<u>(394,739)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,549,970	\$ 3,631,305	\$ 3,678,464	\$ 3,661,413	\$ 3,659,389	\$ 3,696,058
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 2,025,286	\$ 1,978,905	\$ 1,848,299	\$ 1,787,824
Contributions in relation to the contractually required contribution	<u>(2,025,286)</u>	<u>(1,978,905)</u>	<u>(1,848,299)</u>	<u>(1,787,824)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 14,466,329	\$ 14,135,036	\$ 14,217,685	\$ 13,752,492
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,856,946	\$ 1,903,645	\$ 1,881,354	\$ 1,837,618	\$ 1,788,924	\$ 1,763,329
<u>(1,856,946)</u>	<u>(1,903,645)</u>	<u>(1,881,354)</u>	<u>(1,837,618)</u>	<u>(1,788,924)</u>	<u>(1,763,329)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,284,200	\$ 14,643,423	\$ 14,471,954	\$ 14,135,523	\$ 13,760,954	\$ 13,564,069
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**MADISON LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
(D) (E) School Breakfast Program	10.553	2016	\$ 285,195
(D) (E) National School Lunch Program	10.555	2016	812,725
(C) (D) National School Lunch Program - Food Donation	10.555	2016	28,696
Total National School Lunch Program			<u>841,421</u>
Total Child Nutrition Cluster			<u>1,126,616</u>
(E) Child and Adult Care Food Program	10.558	2016	40,208
Total U.S. Department of Agriculture			<u>1,166,824</u>
U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS			
Student Financial Assistance Cluster:			
(G) Federal Pell Grant Program	84.063	N/A	234,274
(G) Federal Direct Student Loans	84.268	N/A	262,512
Total Student Financial Assistance Cluster			<u>496,786</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2015	84,801
Title I Grants to Local Educational Agencies	84.010	2016	728,573
Total Title I Grants to Local Educational Agencies			<u>813,374</u>
Special Education Grant Cluster:			
(F) Special Education_Grants to States	84.027	2015	70,853
(F) Special Education_Grants to States	84.027	2016	662,894
Total Special Education_Grants to States			<u>733,747</u>
(F) Special Education_Preschool Grants	84.173	2016	19,072
Total Special Education Grant Cluster			<u>752,819</u>
Career and Technical Education -- Basic Grants to States	84.048	2015	232
Career and Technical Education -- Basic Grants to States	84.048	2016	210,885
Total Career and Technical Education -- Basic Grants to States			<u>211,117</u>
Improving Teacher Quality State Grants	84.367	2015	12,053
Improving Teacher Quality State Grants	84.367	2016	125,564
Total Improving Teacher Quality State Grants			<u>137,617</u>
Total U.S. Department of Education			<u>2,411,713</u>
Total Federal Financial Assistance			<u>\$ 3,578,537</u>

Notes to the Schedule of Expenditures of Federal Awards:

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Madison Local School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Madison Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Madison Local School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) Included as part of "Student Financial Assistance Cluster" in determining major programs.
- (H) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Madison Local School District has elected not to use the 10% de minimis indirect cost rate.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Madison Local School District
Richland County
1379 Grace St.
Mansfield, OH 44905-2742

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Richland County, Ohio as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Madison Local School District's basic financial statements and have issued our report thereon dated December 22, 2016.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Madison Local School District

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
December 22, 2016



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to
the Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Madison Local School District
Richland County
1379 Grace St.
Mansfield, OH 44905-2742

To the Board of Education

Report on Compliance for the Major Federal Program

We have audited the Madison Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Madison Local School District's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Madison Local School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Madison Local School District's compliance for the Madison Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Madison Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Education
Madison Local School District

Opinion on the Major Federal Program

In our opinion, the Madison Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 22, 2016

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes
2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS		

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

MADISON LOCAL SCHOOL DISTRICT

RICHLAND 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 7, 2017**