



Dave Yost • Auditor of State



**MADISON LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis .....	12
Statement of Activities – Cash Basis .....	13
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds .....	14
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis Governmental Funds .....	15
Statement of Receipts, Disbursements and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual – General Fund .....	17
Statement of Receipts, Disbursements and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual – Classroom Facilities Maintenance Fund .....	18
Statement of Fund Net Position – Cash Basis Proprietary Funds .....	19
Statement of Receipts, Disbursements and Changes in Fund Net Position – Cash Basis Proprietary Funds .....	20
Statement of Fiduciary Net Position – Cash Basis Agency Fund .....	21
Notes to the Basic Financial Statements .....	23
Federal Awards Expenditures Schedule .....	55
Notes to the Federal Awards Expenditures Schedule .....	56
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	57
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	59
Schedule of Findings .....	61

MADISON LOCAL SCHOOL DISTRICT  
LAKE COUNTY

TABLE OF CONTENTS  
(Continued)

<b>TITLE</b>	<b>PAGE</b>
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	63
Corrective Action Plan .....	65



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Madison Local School District  
Lake County  
1956 Redbird Road  
Madison, Ohio 44057

To the Board of Education:

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

We have audited the accompanying cash-basis 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, Lake County, Ohio, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, Lake County, Ohio, as of June 30, 2017, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and Classroom Facilities Maintenance Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Federal Awards Expenditures Schedule 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, and 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 Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

November 28, 2017

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## **Management Discussion and Analysis**

### **For the Fiscal Year Ended June 30, 2017**

The discussion and analysis of the Madison Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2017, within the limitation of the District's cash basis accounting. 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 2017 are:

- Net position of governmental activities increased by \$884,083.
- General receipts accounted for \$28,934,531 in revenue or 84.4 percent of all receipts. Program specific receipts in the form of charges for services and operating and capital grants and contributions accounted for \$5,362,228 or 15.6 percent of total receipts of \$34,296,759.
- The District had \$32,310,531 in disbursements related to governmental activities; \$4,297,958 of these disbursements was offset by program specific charges for services, operating and capital grants and contributions.
- The General Fund had \$26,502,238 (includes other financing sources) in receipts and \$25,683,344 (includes other financing uses) in expenditures. The General Fund's balance increased to \$3,771,400 from \$3,216,744.

### **Using this Annual Financial Report**

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

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

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2017**

***Reporting the School District as a Whole***

*Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2017?” The Statement of Net Position and Statement of Activities answer this question, within the limitation of the District’s cash basis accounting. These statements use the cash basis method of accounting.

These two statements report the District’s *net position* and changes in that net position. This 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, within the limitation of the District’s cash basis accounting. 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 Statement of Activities, the District reports governmental activities and business-type activities. Governmental activities are the activities where most of the District’s programs and services are reported including, but not limited to, instruction, supporting services, operation and maintenance of plant, pupil transportation, and extracurricular activities. Business-type activities provide services on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District’s Food Services Fund, Uniform School Supplies Fund, Special Enterprise Fund, and Special Rotary Fund are reported as business-type activities.

***Reporting the District’s Most Significant Funds***

*Fund Financial Statements*

The analysis of the District’s major funds begins on page 10. 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 major governmental funds are the General Fund, Classroom Facilities Maintenance Fund, and the Bond Retirement 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 cash basis method of accounting. The governmental fund statements provide a detailed view of the District’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance educational programs.

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2017**

**The District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District’s net position for 2017 compared to 2016:

**Table 1 - Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 6,783,840	\$ 5,899,757	\$ 34,370	\$ 97,697	\$ 6,818,210	\$ 5,997,454
<b>Total Assets</b>	<b>6,783,840</b>	<b>5,899,757</b>	<b>34,370</b>	<b>97,697</b>	<b>6,818,210</b>	<b>5,997,454</b>
<b>NET POSITION</b>						
Restricted	3,012,440	2,683,013	-	-	3,012,440	2,683,013
Unrestricted	3,771,400	3,216,744	34,370	97,697	3,805,770	3,314,441
<b>Total Net Position</b>	<b>\$ 6,783,840</b>	<b>\$ 5,899,757</b>	<b>\$ 34,370</b>	<b>\$ 97,697</b>	<b>\$ 6,818,210</b>	<b>\$ 5,997,454</b>

Total assets increased by \$820,756, which is solely related to increased cash and cash equivalents. Restricted net position of the District increased by \$329,427.

Table 2 shows the changes in net position for fiscal year 2017 and also presents a comparative analysis to fiscal year 2016 for governmental activities, business-type activities, and both governmental and business-type activities combined.

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2017**

**Table 2 - Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>RECEIPTS</b>						
Program Receipts:						
Charges for services	\$ 2,637,351	\$ 2,217,984	\$ 498,174	\$ 554,094	\$ 3,135,525	\$ 2,772,078
Operating grants and contributions	1,660,607	1,768,985	566,096	589,720	2,226,703	2,358,705
Capital grants and contributions	-	48,807	-	-	-	48,807
<b>Total Program Receipts</b>	<b>4,297,958</b>	<b>4,035,776</b>	<b>1,064,270</b>	<b>1,143,814</b>	<b>5,362,228</b>	<b>5,179,590</b>
General Receipts:						
Property taxes	11,265,893	11,536,219	-	-	11,265,893	11,536,219
Grants and entitlements	15,720,849	15,835,555	-	-	15,720,849	15,835,555
Investment income	45,636	11,843	-	-	45,636	11,843
Debt Proceeds	1,388,613	1,720,098	-	-	1,388,613	1,720,098
Sale of Assets	-	7,000	-	700	-	7,700
All other revenues	513,540	243,589	-	33	513,540	243,622
<b>Total General Receipts</b>	<b>28,934,531</b>	<b>29,354,304</b>	<b>-</b>	<b>733</b>	<b>28,934,531</b>	<b>29,355,037</b>
<b>Total Receipts</b>	<b>33,232,489</b>	<b>33,390,080</b>	<b>1,064,270</b>	<b>1,144,547</b>	<b>34,296,759</b>	<b>34,534,627</b>
<b>DISBURSEMENTS</b>						
Program Disbursements:						
Instruction:						
Regular	13,241,127	12,715,452	-	-	13,241,127	12,715,452
Special	4,524,347	4,335,981	-	-	4,524,347	4,335,981
Vocational	163,463	96,506	-	-	163,463	96,506
Supporting Services:						
Pupil	1,871,026	1,714,700	-	-	1,871,026	1,714,700
Instructional Staff	346,616	199,943	-	-	346,616	199,943
Board of Education	115,952	125,402	-	-	115,952	125,402
Administration	2,226,399	2,155,650	-	-	2,226,399	2,155,650
Fiscal	577,777	694,174	-	-	577,777	694,174
Business	128,249	109,703	-	-	128,249	109,703
Operation and Maintenance of Plant	2,355,114	2,325,790	-	-	2,355,114	2,325,790
Pupil Transportation	2,232,121	2,408,754	-	-	2,232,121	2,408,754
Central	678,277	515,543	-	-	678,277	515,543
Operation of Non-Instructional Services	180,612	70,402	-	-	180,612	70,402
Extracurricular Activities	831,063	766,220	-	-	831,063	766,220
Capital Outlay	-	361,453	-	-	-	361,453
Debt Service:						
Principal Retirement	1,693,000	1,755,000	-	-	1,693,000	1,755,000
Interest and Fiscal Charges	1,135,805	1,142,564	-	-	1,135,805	1,142,564
Bond Issuance Cost	9,583	10,935	-	-	9,583	10,935
Food Services	-	-	874,265	875,216	874,265	875,216
Special Rotary	-	-	291,207	247,920	291,207	247,920
<b>Total Disbursements</b>	<b>32,310,531</b>	<b>31,504,172</b>	<b>1,165,472</b>	<b>1,123,136</b>	<b>33,476,003</b>	<b>32,627,308</b>
Advances	(37,875)	37,081	37,875	(37,081)	-	-
<b>Change in Net Position</b>	<b>884,083</b>	<b>1,922,989</b>	<b>(63,327)</b>	<b>(15,670)</b>	<b>820,756</b>	<b>1,907,319</b>
Net Position - Beginning of Year	5,899,757	3,976,768	97,697	113,367	5,997,454	4,090,135
<b>Net Position - End of Year</b>	<b>\$ 6,783,840</b>	<b>\$ 5,899,757</b>	<b>\$ 34,370</b>	<b>\$ 97,697</b>	<b>\$ 6,818,210</b>	<b>\$ 5,997,454</b>

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2017**

***Governmental Activities***

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 33.90 percent of receipts for governmental activities for the District in fiscal year 2017.

Charges for services increased by \$419,367 due to two years of special education reimbursements being received in fiscal year 2017.

Instruction comprises 55.49 percent of governmental program disbursements increased by \$780,998 as a result of an increase in teachers and instructions supplies. Supporting Services – Pupil Transportation decreased \$176,633 due to the purchase of new buses in fiscal year 2016. Capital outlay decreased \$361,453 as a result of the construction of the new school buildings finalized during fiscal year 2015 and 2016.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. A comparative analysis of 2017 to 2016 is presented.

**Table 3 - Governmental Activities**

	Total Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2017	Net Cost of Services 2016
Instruction	\$ 17,928,937	\$ 17,147,939	\$ (14,728,420)	\$ (14,412,763)
Supporting Services:				
Pupils and Instructional Staff	2,217,642	1,914,643	(1,798,400)	(1,298,687)
Board of Education, Administration, Fiscal, and Business	3,048,377	3,084,929	(2,849,352)	(2,934,546)
Operation and Maintenance of Plant	2,355,114	2,325,790	(2,322,855)	(2,294,259)
Pupil Transportation	2,232,121	2,408,754	(2,228,939)	(2,406,043)
Central	678,277	515,543	(671,077)	(508,343)
Operation of Non-Instructional Services	180,612	70,402	(179,698)	(68,358)
Extracurricular Activities	831,063	766,220	(395,444)	(324,252)
Capital Outlay	-	361,453	-	(312,646)
Debt Services	2,838,388	2,908,499	(2,838,388)	(2,908,499)
Total cost of service	<u>\$ 32,310,531</u>	<u>\$ 31,504,172</u>	<u>\$ (28,012,573)</u>	<u>\$ (27,468,396)</u>

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2017**

**The District's Funds**

The District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$33,548,311 (includes other financing sources) and disbursements of \$32,664,228 (includes other financing uses). The net change in fund balance for the year was most significant in the General Fund, an increase of \$554,656 and the Bond Retirement Fund, an increase of \$603,242. This increase was a result of the program reductions made during the year and the increase in the Bond Retirement Fund balance was a result of payments made into a sinking fund, as required.

***General Fund Budgeting Highlights***

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

For the General Fund, the original budget basis receipts of \$25,225,619 (including other financing sources) were increased in the final budget basis receipts to \$25,792,954. During fiscal year 2017, the District's final budget basis receipts for property taxes were \$8,200,178.

The original appropriations of \$27,605,073 (including other financing uses) were increased in the final budget basis appropriations to \$28,232,603.

**Debt Administration**

***Debt***

At June 30, 2017, the District had \$23,159,736 in bonds, notes, premiums, and accounting loss on refunding outstanding.

Table 4 summarizes outstanding debt. Also see Notes 12 and 13 to the basic financial statements for more detail.

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2017**

**Table 4 - Outstanding Debt as of June 30th**

	Governmental Activities	
	2017	2016
Building Bonds	\$ 20,455,000	\$ 20,610,000
Premiums on Bonds	921,093	913,494
Accounting Loss on Refunding	(553)	(1,879)
Capital Appreciation Bonds (including bond accretion)	300,493	248,722
Tax Anticipation Notes (TANs)	172,000	255,000
Bond Anticipation Notes (BANs)	1,375,000	1,455,000
Premium on BANs	3,403	3,366
<b>Total outstanding debt</b>	<b>\$ 23,226,436</b>	<b>\$ 23,483,703</b>

**Economic Factors**

The District is dependent on its local taxpayers. Based on the current financial information, the budget cuts enacted in prior fiscal years the passage of an operating levy, and the ability to maintain current program and staffing levels, the District will be able to maintain financial stability.

Based on these factors, the Board of Education and administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District, as well as careful planning to ensure that significant outlays may be made in the future to address the District's facilities needs.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, 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 any questions about this report or need additional information, contact Michael J. Vaccariello, Treasurer/CFO at Madison Local School District, 1956 Red Bird Road, Madison, Ohio 44057 or email at [Michael.Vaccariello@madisonschools.net](mailto:Michael.Vaccariello@madisonschools.net).

**Statement of Net Position – Cash Basis**

**June 30, 2017**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,510,076	\$ 34,370	\$ 5,544,446
Restricted Assets:			
Investments	1,273,764	-	1,273,764
<b>Total Assets</b>	<b>6,783,840</b>	<b>34,370</b>	<b>6,818,210</b>
 <b>NET POSITION</b>			
Restricted for:			
Special Revenue	1,141,713	-	1,141,713
Debt Service	1,489,803	-	1,489,803
Capital Projects	380,924	-	380,924
Unrestricted	3,771,400	34,370	3,805,770
<b>Total Net Position</b>	<b>\$ 6,783,840</b>	<b>\$ 34,370</b>	<b>\$ 6,818,210</b>

See accompanying notes to the basic financial statements.



# Madison Local School District, Lake County

## Statement of Activities - Cash Basis

For the Fiscal Year Ended June 30, 2017

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>						
<b>Governmental Activities</b>						
Instruction:						
Regular	\$ 13,241,127	\$ 2,201,732	\$ 197,050	\$ (10,842,345)	\$ -	\$ (10,842,345)
Special	4,524,347	-	801,735	(3,722,612)	-	(3,722,612)
Vocational	163,463	-	-	(163,463)	-	(163,463)
Support Services:						
Pupils	1,871,026	-	419,242	(1,451,784)	-	(1,451,784)
Instructional Staff	346,616	-	-	(346,616)	-	(346,616)
Board of Education	115,952	-	-	(115,952)	-	(115,952)
Administration	2,226,399	-	198,332	(2,028,067)	-	(2,028,067)
Fiscal Services	577,777	-	693	(577,084)	-	(577,084)
Business	128,249	-	-	(128,249)	-	(128,249)
Operation and Maintenance of Plant	2,355,114	-	32,259	(2,322,855)	-	(2,322,855)
Pupil Transportation	2,232,121	-	3,182	(2,228,939)	-	(2,228,939)
Central	678,277	-	7,200	(671,077)	-	(671,077)
Operation of Non-Instructional Services:						
Food Service Operations	3,429	-	914	(2,515)	-	(2,515)
Community Services	7,600	-	-	(7,600)	-	(7,600)
Other Operations	169,583	-	-	(169,583)	-	(169,583)
Extracurricular Activities	831,063	435,619	-	(395,444)	-	(395,444)
Debt Service:						
Principal Retirement	1,693,000	-	-	(1,693,000)	-	(1,693,000)
Interest and Fiscal Charges	1,135,805	-	-	(1,135,805)	-	(1,135,805)
Bond Issuance Costs	9,583	-	-	(9,583)	-	(9,583)
Total Governmental Activities	<u>32,310,531</u>	<u>2,637,351</u>	<u>1,660,607</u>	<u>(28,012,573)</u>	<u>-</u>	<u>(28,012,573)</u>
<b>Business-Type Activities</b>						
Food Service	874,265	260,541	566,096	-	(47,628)	(47,628)
Special Rotary	291,207	237,633	-	-	(53,574)	(53,574)
Total Business-Type Activities	<u>1,165,472</u>	<u>498,174</u>	<u>566,096</u>	<u>-</u>	<u>(101,202)</u>	<u>(101,202)</u>
Total	<u>\$ 33,476,003</u>	<u>\$ 3,135,525</u>	<u>\$ 2,226,703</u>	<u>(28,012,573)</u>	<u>(101,202)</u>	<u>(28,113,775)</u>
<b>General Receipts</b>						
Property Taxes levied for:						
General Purposes				8,500,927	-	8,500,927
Debt Service				1,053,636	-	1,053,636
Capital Projects				170,330	-	170,330
Special Purposes				1,541,000	-	1,541,000
Grants & Entitlements not Restricted to Specific Programs				15,720,849	-	15,720,849
Interest				45,636	-	45,636
Miscellaneous				513,540	-	513,540
Debt Proceeds				1,388,613	-	1,388,613
Advances				(37,875)	37,875	-
Total General Receipts				<u>28,896,656</u>	<u>37,875</u>	<u>28,934,531</u>
Change in Net Position				884,083	(63,327)	820,756
Net Position - Beginning of Year				<u>5,899,757</u>	<u>97,697</u>	<u>5,997,454</u>
<b>Net Position - End of Year</b>				<u>\$ 6,783,840</u>	<u>\$ 34,370</u>	<u>\$ 6,818,210</u>

See accompanying notes to the basic financial statements.

**Madison Local School District, Lake County**

**Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2017**

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 3,771,400	\$ 686,336	\$ 216,039	\$ 836,301	\$ 5,510,076
Restricted Assets:					
Investments	-	-	1,273,764	-	1,273,764
<b>Total Assets</b>	<u>\$ 3,771,400</u>	<u>\$ 686,336</u>	<u>\$ 1,489,803</u>	<u>\$ 836,301</u>	<u>\$ 6,783,840</u>
<b>Fund Balances</b>					
Restricted	\$ -	\$ 686,336	\$ 1,489,803	\$ 836,301	\$ 3,012,440
Committed	22,326	-	-	-	22,326
Assigned	1,869,529	-	-	-	1,869,529
Unassigned	1,879,545	-	-	-	1,879,545
<b>Total Fund Balances</b>	<u>\$ 3,771,400</u>	<u>\$ 686,336</u>	<u>\$ 1,489,803</u>	<u>\$ 836,301</u>	<u>\$ 6,783,840</u>

See accompanying notes to the basic financial statements.

## Madison Local School District, Lake County

### Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis Governmental Funds For the Fiscal Year Ended June 30, 2017

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>					
Property Taxes	\$ 8,500,927	\$ 160,094	\$ 1,053,636	\$ 1,551,236	\$ 11,265,893
Intergovernmental	15,134,760	56,875	782,073	1,407,748	17,381,456
Earnings on Investments	33,755	-	8,764	3,117	45,636
Tuition	2,095,577	-	-	-	2,095,577
Extracurricular Activities	158,303	-	-	220,610	378,913
Rentals	56,706	-	-	-	56,706
Classroom Materials and Fees	106,155	-	-	-	106,155
Miscellaneous	416,055	-	-	97,485	513,540
<b>Total Receipts</b>	<b>26,502,238</b>	<b>216,969</b>	<b>1,844,473</b>	<b>3,280,196</b>	<b>31,843,876</b>
<b>DISBURSEMENTS</b>					
Current:					
Instruction:					
Regular	12,998,217	-	-	242,910	13,241,127
Special	3,633,003	-	-	891,344	4,524,347
Vocational	163,463	-	-	-	163,463
Support Services:					
Pupils	1,648,776	-	-	222,250	1,871,026
Instructional Staff	208,750	-	-	137,866	346,616
Board of Education	115,952	-	-	-	115,952
Administration	2,019,524	-	-	206,875	2,226,399
Fiscal Services	554,526	2,601	15,636	5,014	577,777
Business	128,249	-	-	-	128,249
Operation and Maintenance of Plant	2,130,230	121,007	-	103,877	2,355,114
Pupil Transportation	829,719	-	-	1,402,402	2,232,121
Central	572,173	-	-	106,104	678,277
Operation of Non-Instructional Services:					
Food Service Operations	-	3,429	-	-	3,429
Community Services	-	-	-	7,600	7,600
Other Operations	169,583	-	-	-	169,583
Extracurricular Activities	511,179	-	-	319,884	831,063
Debt Service:					
Principal Retirement	-	-	1,693,000	-	1,693,000
Interest and Fiscal Charges	-	-	1,135,805	-	1,135,805
Bond Issuance Costs	-	-	9,583	-	9,583
<b>Total Disbursements</b>	<b>25,683,344</b>	<b>127,037</b>	<b>2,854,024</b>	<b>3,646,126</b>	<b>32,310,531</b>
Excess of Receipts Over (Under) Disbursements	818,894	89,932	(1,009,551)	(365,930)	(466,655)

(Continued)

**Madison Local School District, Lake County**

**Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis**  
**Governmental Funds (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Premium on Debt Issued	-	-	13,613	-	13,613
Refunding Bond Anticipation Notes Issued	-	-	1,375,000	-	1,375,000
Advances In	987	-	-	5,705	6,692
Advances Out	(43,579)	-	-	(988)	(44,567)
Transfers In	-	-	224,180	84,950	309,130
Transfers Out	(221,646)	-	-	(87,484)	(309,130)
<b>Total Other Financing Sources (Uses)</b>	<u>(264,238)</u>	<u>-</u>	<u>1,612,793</u>	<u>2,183</u>	<u>1,350,738</u>
Net Change in Fund Balances	554,656	89,932	603,242	(363,747)	884,083
Fund Balances - Beginning of Year	<u>3,216,744</u>	<u>596,404</u>	<u>886,561</u>	<u>1,200,048</u>	<u>5,899,757</u>
<b>Fund Balances - End of Year</b>	<u><u>\$ 3,771,400</u></u>	<u><u>\$ 686,336</u></u>	<u><u>\$ 1,489,803</u></u>	<u><u>\$ 836,301</u></u>	<u><u>\$ 6,783,840</u></u>

See accompanying notes to the basic financial statements.

## Madison Local School District, Lake County

### Statement of Receipts, Disbursements and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$ 8,200,178	\$ 8,200,178	\$ 8,500,927	\$ 300,749
Intergovernmental	14,691,838	15,187,822	15,134,760	(53,062)
Earnings on Investments	9,673	10,000	33,755	23,755
Tuition	1,694,074	1,751,264	2,095,577	344,313
Extracurricular Activities	65,779	68,000	71,419	3,419
Rentals	38,694	40,000	56,706	16,706
Classroom Materials and Fees	89,963	93,000	106,155	13,155
Miscellaneous	387,831	399,537	429,822	30,285
<b>Total Receipts</b>	<u>25,178,030</u>	<u>25,749,801</u>	<u>26,429,121</u>	<u>679,320</u>
<b>Disbursements</b>				
Current:				
Instruction				
Regular	13,088,600	13,395,694	13,104,162	291,532
Special	3,948,789	4,034,140	4,071,527	(37,387)
Vocational	71,017	72,694	163,623	(90,929)
Support Services				
Pupils	1,773,975	1,822,960	1,862,881	(39,921)
Instructional Staff	188,281	191,919	209,042	(17,123)
Board of Education	208,766	211,717	199,738	11,979
Administration	1,982,093	2,027,600	2,048,884	(21,284)
Fiscal Services	674,519	689,044	571,934	117,110
Business	116,782	119,436	140,863	(21,427)
Operation and Maintenance of Plant	2,315,503	2,364,325	2,406,775	(42,450)
Pupil Transportation	936,511	951,530	1,110,918	(159,388)
Central	922,183	938,362	864,301	74,061
Operation of Non-Instructional Services				
Other	135,880	159,282	170,373	(11,091)
Extracurricular Activities				
Academic Oriented Activities	60,472	61,900	60,956	944
Sport Oriented Activities	397,027	406,400	413,173	(6,773)
Co-Curricular Activities	39,175	40,100	37,605	2,495
Debt Service:				
Principal	145,500	145,500	147,363	(1,863)
<b>Total Disbursements</b>	<u>27,005,073</u>	<u>27,632,603</u>	<u>27,584,118</u>	<u>48,485</u>
Excess of Receipts Over(Under) Disbursements	<u>(1,827,043)</u>	<u>(1,882,802)</u>	<u>(1,154,997)</u>	<u>727,805</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	-	-	119,227	119,227
Advances In	47,589	43,153	27,976	(15,177)
Advances Out	(100,000)	(100,000)	(70,568)	29,432
Transfers Out	(500,000)	(500,000)	(221,646)	278,354
<b>Total Other Financing Sources (Uses)</b>	<u>(552,411)</u>	<u>(556,847)</u>	<u>(145,011)</u>	<u>411,836</u>
Net Change in Fund Balance	(2,379,454)	(2,439,649)	(1,300,008)	1,139,641
Fund Balance - Beginning of Year	1,507,556	1,507,556	1,507,556	-
Prior Year Encumbrances Appropriated	1,680,441	1,680,441	1,680,441	-
<b>Fund Balance - End of Year</b>	<u>\$ 808,543</u>	<u>\$ 748,348</u>	<u>\$ 1,887,989</u>	<u>\$ 1,139,641</u>

See accompanying notes to the basic financial statements.

**Madison Local School District, Lake County**

**Statement of Receipts, Disbursements and Changes in Fund Balance -  
Budget (Non-GAAP Basis) and Actual – Classroom Facilities Maintenance Fund  
For the Fiscal Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Receipts</b>				
Property Taxes	\$ 150,000	\$ 150,000	\$ 160,094	\$ 10,094
Intergovernmental	-	-	56,875	56,875
<b>Total Receipts</b>	<u>150,000</u>	<u>150,000</u>	<u>216,969</u>	<u>66,969</u>
<b>Disbursements</b>				
Current:				
Support Services				
Fiscal Services	-	-	2,601	(2,601)
Operation and Maintenance of Plant	160,000	272,136	263,585	8,551
Operation of Non-Instructional Services				
Food Service Operations	-	-	3,429	(3,429)
<b>Total Disbursements</b>	<u>160,000</u>	<u>272,136</u>	<u>269,615</u>	<u>2,521</u>
Net Change in Fund Balance	(10,000)	(122,136)	(52,646)	69,490
Fund Balance - Beginning of Year	500,401	500,401	500,401	-
Prior Year Encumbrances Appropriated	62,136	62,136	62,136	-
<b>Fund Balance - End of Year</b>	<u>\$ 552,537</u>	<u>\$ 440,401</u>	<u>\$ 509,891</u>	<u>\$ 69,490</u>

See accompanying notes to the basic financial statements.

**Statement of Fund Net Position – Cash Basis  
Proprietary Funds  
June 30, 2017**

	<b>Business- Type Activities Non-Major Enterprise Funds</b>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 34,370
<b>NET POSITION</b>	
Unrestricted	\$ 34,370

See accompany notes to the basic financial statements.

**Statement of Receipts, Disbursements and Changes in Fund Net Position – Cash Basis  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2017**

	<b>Business-Type Activities</b>
	<b>Non-Major Enterprise Funds</b>
<b>OPERATING RECEIPTS</b>	
Tuition	\$ 237,633
Food Services	260,541
<b>Total Operating Receipts</b>	<b>498,174</b>
<b>OPERATING DISBURSEMENTS</b>	
Salaries and Wages	480,502
Retirement and Insurance	217,337
Purchased Services	127,009
Materials and Supplies	338,472
Other	2,152
<b>Total Operating Disbursements</b>	<b>1,165,472</b>
Operating Loss	(667,298)
<b>NON-OPERATING RECEIPTS AND DISBURSEMENTS</b>	
Intergovernmental	566,096
Advances In	37,875
<b>Total Non-operating Receipts and Disbursements</b>	<b>603,971</b>
Change in Net Position	(63,327)
Net Position - Beginning of Year	97,697
<b>Net Position - End of Year</b>	<b>\$ 34,370</b>

See accompany notes to the basic financial statements.



**Statement of Fiduciary Net Position – Cash Basis**  
**Agency Fund**  
**June 30, 2017**

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 58,736
	<u>58,736</u>
<b>Net Position</b>	
Unrestricted	\$ 58,736
	<u>58,736</u>

See accompanying notes to the basic financial statements.

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**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 1: REPORTING ENTITY**

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

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 41 square miles. It is located mostly in Lake County, partially in Geauga County, and includes all of the territory of the Village of Madison and Madison Township, and a portion of Thompson Township. It is staffed by 119 non-certified employees, 158 certified full-time teaching personnel, and 17 administrators who provide services to 3,094 students and other community members. The School District currently operates four instructional buildings, one administrative/preschool building, a maintenance garage, and a bus garage.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

**A. Primary Government**

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

**B. Component Units**

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

The School District is associated with three jointly governed organizations, a claims servicing pool, a related organization and an insurance purchasing pool. These organizations are the Lake Geauga Computer Association, the Auburn Career Center, the Ohio Schools Council Association, the Lake County Council of Governments Health Care Benefits Self-Insurance Program, the Madison Public Library and the Ohio School Boards' Association Workers' Compensation Group Rating Program which are presented in Notes 16, 17, 18 and 19 to the basic financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2 C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

***Fund Financial Statements*** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund financial statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund financial statements report all other receipts and disbursements as nonoperating.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories, governmental, proprietary and fiduciary.

***Governmental Funds*** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major funds:

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

***Classroom Facilities Maintenance Fund*** – The Classroom Facilities Maintenance Fund is used to account for the proceeds of a levy for the maintenance of the facilities.

***Bond Retirement Fund*** – The Bond Retirement Fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain long-term obligations from governmental resources where the District is obligated in some manner for payment.

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

***Proprietary Funds*** The School District classifies funds financed primarily from user charges for goods or services as proprietary. The School District only has enterprise funds.

***Enterprise Funds*** - The Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods and services. The School District's Enterprise Funds account for food service operations, uniform school supplies, latchkey, and preschool.

***Fiduciary Funds*** 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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) and deferred inflows/outflows are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were passed by the Board.

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

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Cash and Investments** (Continued)

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2017, the School District invested in STAR Ohio and negotiable CD's. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2017 was \$33,755.

F. **Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts set aside for the payment of a general obligation term bond are classified as restricted assets since their use is limited by applicable bond indentures.

G. **Inventory and Prepaid Items**

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. **Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**I. Interfund Receivables/Payables**

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Pensions**

For purposes of measuring the net pension liability, 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.

**M. Long-Term Obligations**

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**N. Net Position**

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net position reports \$3,012,440 of the restricted component of net position, none of which is restricted by enabling legislation. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.



**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**O. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School 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 spendable in form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

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

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

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

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

P. **Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

During the fiscal year, the District implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the District.

GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a part of restricted, committed, or assigned fund balance (cash basis) and three funds were budgeted as special revenue funds, but reported as a part of the General Fund on cash basis statements in accordance with GASB Statement No. 54.

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General Fund and Classroom Facilities Maintenance Fund.

Net Change in Fund Balance		
	General	Classroom Facilities Maintenance
<b>Cash Basis</b>	\$ 554,656	\$ 89,932
Encumbrances	(1,826,022)	(142,578)
Funds Budgeted as Special Revenue Funds but Reported as part of the General Fund for the Cash Basis Reports	(28,642)	-
<b>Budget Basis</b>	\$ (1,300,008)	\$ (52,646)

**NOTE 5: DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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 held by the School District can 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 payment of 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, 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 securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

**Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$1,088,444 of the School District’s bank balance of \$1,342,592 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department but not in the School District’s name. Although the securities were held by the pledging financial institutions’ trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The table below identifies the School District’s recurring fair value measurement as of June 30, 2017. As previously discussed Star Ohio is reported at its net asset value. All other investments of the School District are valued using quoted market prices (Level 1 and Level 2 inputs). As of June 30, 2017, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (*)</u>	<u>Investment Maturities (in Years)</u>
			<u>&lt;1</u>
STAR Ohio	\$ 4,341,325	AAAm	\$ 4,341,325
Negotiable CDs	1,424,023	N/A	1,424,023
Total Investments	5,765,348		\$ 5,765,348
Carrying Amount of Deposits	1,111,498		
Petty Cash	100		
<b>Total</b>	<b>\$ 6,876,946</b>		

\* Credit Rating was obtained from Standard & Poor’s for all investments.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** See the above table for credit ratings for all investments. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments other than STAR Ohio are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the School District's name. The School 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 School District places no limit on the amount it may invest in any one issuer. The School District's investment in Negotiable Certificates of Deposits represents 24.70 percent and STAR Ohio represents 75.30 percent of the School District's total investments.

NOTE 6: **PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility tangible personal property (used in business) located in the School District. Real property tax receipts received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2016 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 6: **PROPERTY TAXES** (Continued)

The School District receives property taxes from Lake and Geauga Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2017 was \$10,383 in the General Fund, \$81,446 in the Lake County Financing District Special Revenue Fund, \$169 in the Classroom Facilities Maintenance Special Revenue Fund, \$1,063 in the Debt Service Fund and \$192 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2016 was \$673,320 in the General Fund, \$84,158 in the Lake County Financing District Special Revenue Fund, \$13,070 in the Classroom Facilities Maintenance Special Revenue Fund, \$80,801 in the Debt Service Fund, and \$13,548 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 357,086,840	96.98 %	\$ 345,154,290	96.72 %
Public Utility Personal	11,117,730	3.02	11,697,540	3.28
Total	<u>\$ 368,204,570</u>	<u>100.00 %</u>	<u>\$ 356,851,830</u>	<u>100.00 %</u>
Tax Rate per \$1,000 of Assessed Valuation	<u>\$ 56.12</u>		<u>\$ 56.23</u>	

NOTE 7: **INTERFUND TRANSACTIONS**

During fiscal year 2017, the General Fund transferred \$60,004 to the District Managed Activities Special Revenue Fund to properly account for total activity expenditures; \$7,028, \$8,854 and \$9,064 to Public School Preschool Special Revenue Fund, IDEA Part B Special Education Special Revenue Fund, and Improving Teacher Quality Special Revenue Fund, respectively, to properly account for total special education expenditures; \$136,696 to Bond Retirement Debt Service Fund to pay for the debt payments associated with long-term obligations. The Permanent Improvement Capital Projects Fund transferred \$87,484 to the Bond Retirement Debt Service Fund to pay for the debt payments associated with long-term debt obligations

Advances of \$94,155 were made to cover current operating expenses and grant expenses related to timing differences and repay prior period advances. All advances comply with the Ohio Revised Code.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 8: RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with various insurance agencies for various types of insurance. Coverage is as follows:

<b>Package Policy Schools of Ohio Risk Sharing Authority</b>	<b>Limits</b>
Blanket Property Coverage	\$ 108,008,663
Equipment Breakdown - subject to policy limits (\$2,500 Deductible)	\$ 50,000,000
Miscellaneous Property - Musical Instruments, Athletic Equipment or Uniforms	\$ 1,000,000
Miscellaneous Property - Mobile Agricultural Equip.	\$ 78,888
Computer Coverage (\$2,500 Deductible)	\$ 100,000
General Liability Coverage	\$ 15,000,000
Sexual Misconduct	\$ 5,000,000
Employee Benefits Liability Claims Made	\$ 15,000,000
Employers Stop Gap Liability	\$ 15,000,000
Public Employee Dishonesty Blanket Bond (\$2,500 Deductible)	\$ 100,000
Forgery and Alteration (\$2,500 Deductible)	\$ 100,000
Money and Securities (on premises) (\$500 Deductible)	\$ 100,000
Theft, Disappearance & Destruction (off premises) (\$2,500 Deductible)	\$ 100,000
<b>Automobile Policy</b>	
<b>Schools of Ohio Risk Sharing Authority</b>	
Auto Liability	\$ 15,000,000
Medical Payments	\$ 10,000
Uninsured Motorists Liability	\$ 100,000
<b>Umbrella Policy</b>	
<b>Schools of Ohio Risk Sharing Authority</b>	
Umbrella Policy Limit	\$ 10,000,000



**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 8: **RISK MANAGEMENT** (Continued)

A. **Property and Liability** (Continued)

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

All employees of the School District are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

B. **Employee Medical Coverage**

The School District has elected to provide medical coverage through premium payments to the Lake County Council of Governments Health Care Benefits Program. See Note 17 for additional information.

C. **Workers' Compensation**

For fiscal year 2017, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp. Management provides administrative, cost control and actuarial services to the GRP.

NOTE 9: **DEFINED BENEFIT PENSION PLANS**

A. **Net Pension Liability**

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 net pension liability represents the School 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.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Net Pension Liability** (Continued)

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

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.1202437%	0.11677841%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.1205429%	0.11567364%	
Change in Proportionate Share	0.0002992%	-0.0011048%	
Proportionate Share of the Net Pension			
Liability	\$8,822,628	\$38,719,454	\$ 47,542,082

***Actuarial Assumptions - SERS***

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

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

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Net Pension Liability** (Continued)

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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

The RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates is used to evaluate allowances to be paid. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

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 target allocation and best estimates of arithmetic real rates of return for each major asset 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	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Net Pension Liability** (Continued)

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 School 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$11,680,610	\$8,822,628	\$6,430,378

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, 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, including inflation
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, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Net Pension Liability** (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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	1.00	3.00
Total	100.00 %	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

***Sensitivity of the School 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$51,455,008	\$38,719,454	\$27,976,263

***Changes between Measurement Date and Report Date*** In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

**B. School Employees Retirement System**

**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](http://www.ohsers.org) under Employers/Audit Resources. Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years 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 3 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.

**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, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$567,152 for fiscal year 2017.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

**C. State Teachers Retirement System of Ohio**

*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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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, 11.5 of the 13.0 percent member rates goes to the DC Plan and 1.5 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS 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 in the GASB 68 schedules of employer allocation and pension amounts by employer.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

C. **State Teachers Retirement System of Ohio** (Continued)

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. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School 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 School District's contractually required contribution to STRS was \$1,798,025 for fiscal year 2017.

D. **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2017, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10: **POST-EMPLOYMENT BENEFITS**

A. **School Employees Retirement System**

*Plan Description* – In addition to a cost-sharing, multiple-employer defined benefit pension plan the School Employees Retirement System (SERS) administers two post-employment benefit plans.

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

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plan.



**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 10: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **School Employees Retirement System** (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14 percent contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0 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 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The District's contributions assigned to health care for the years ended June 30, 2017, 2016 and 2015 were \$67,857, \$62,183, \$96,901, respectively; the full amount is due and payable for fiscal year 2017 and 100 percent for fiscal years 2016 and 2015.

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

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

B. **State Teachers Retirement System**

*Plan Description* – STRS Ohio administers a pension plan that is comprised of a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

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

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

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

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 10: **POST-EMPLOYMENT BENEFITS** (Continued)

**B. State Teachers Retirement System** (Continued)

*Funding Policy* - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.00 percent employer contribution rate, no allocation was made to post-employment health care for the years ended June 30, 2017, June 30, 2016 and June 30, 2015. The 14.00 percent employer contribution rate is the maximum rate established under Ohio law.

NOTE 11: **CONTINGENCIES**

**A. Grants**

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, based on prior experience, management believes the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, would be immaterial.

**B. Litigation**

As of June 30, 2017, the School District was a party to legal proceedings. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the School District's financial condition.

**C. State Foundation Funding**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 12: NOTE OBLIGATIONS**

A summary of note transactions for the year ended June 30, 2017 follows:

<u>Notes</u>	<u>Issued</u>	<u>Interest</u>	<u>Balance at 6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2017</u>
Bond Anticipation Notes	10/7/2015	1.250%	1,455,000	\$ -	\$ 1,455,000	\$ -
Premium on Bond Anticipation Notes	10/7/2015		3,366	-	3,366	-
Bond Anticipation Notes	10/5/2016	2.000%	-	1,375,000	-	1,375,000
Premium on Bond Anticipation Notes	10/5/2016		-	13,613	10,210	3,403
<b>Total Notes</b>			<u>\$ 1,458,366</u>	<u>\$ 1,388,613</u>	<u>\$ 1,468,576</u>	<u>\$ 1,378,403</u>

On October 5, 2016, the District rolled over \$1,375,000 in bond anticipation notes at an interest rate of 2.000 percent with a maturity date of October 5, 2017. The notes are backed by the full faith and credit of the Madison Local School District. The notes were issued at a premium of \$13,613.

**NOTE 13: LONG-TERM DEBT OBLIGATIONS**

The changes in the School District's long-term obligations during the year consist of the following:

	<u>Issued</u>	<u>Interest</u>	<u>Balance at 6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2017</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>							
<b><u>Building Bonds</u></b>							
Library Facilities	2/1/1998	5.31%	225,000	-	70,000	155,000	\$ 75,000
Library Refunding Bond	7/10/2013	2.47%	260,000	-	85,000	175,000	85,000
Premium on Library Refunding Bonds	7/10/2013		7,411	-	2,470	4,941	-
Accounting Gain(Loss) on Refunding	7/10/2013		(1,879)	-	(1,326)	(553)	-
<b>Facilities</b>							
Premium on Facilities	8/25/2010		24,231	-	1,515	22,716	-
Capital Appreciation Bonds	8/25/2010	19.83%	86,853	-	-	86,853	-
Accretion on Capital Appreciation Bonds	8/25/2010		161,869	51,771	-	213,640	-
Premium on Capital Appreciation Bonds	8/25/2010		881,852	-	55,116	826,736	-
Facilities	8/25/2010	5.00%	9,460,000	-	-	9,460,000	-
Facilities	8/25/2010	5.70 to 6.05%	10,665,000	-	-	10,665,000	-
<b>Total Building Bonds</b>			<u>21,770,337</u>	<u>51,771</u>	<u>212,775</u>	<u>21,609,333</u>	<u>160,000</u>
<b><u>Tax Anticipation Note</u></b>							
School Improvement	11/5/2015	2.10%	255,000	-	83,000	172,000	85,100
<b>Total Governmental Bonds</b>			<u>22,025,337</u>	<u>51,771</u>	<u>295,775</u>	<u>21,781,333</u>	<u>\$ 245,100</u>

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

NOTE 13: **LONG-TERM DEBT OBLIGATIONS** (Continued)

The School District issued Library and Facilities Bonds in 1998 for the purpose of construction, enlargement, and improvement of public library facilities, including equipment, furnishings, parking facilities and site improvements.

On August 25, 2010, the District issued \$25,081,852 in voted general obligation bonds which comprised of serial bonds in the amounts of \$1,645,000 and \$3,205,000, capital appreciation (deep discount) bonds in the amounts of \$86,853 and \$19,999, and term bonds in the amounts of \$9,460,000 and \$10,665,000.

\$3,205,000 of the serial bonds and \$19,999 of the capital appreciation bonds issued on August 25, 2010, were issued to provide for all future debt payments on the refunded portion of the 1993 facilities bonds. These bonds matured in April 2015.

\$1,645,000 of the serial bonds and \$86,853 of the capital appreciation bonds issued on August 25, 2010, were issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. These bonds will mature in April 2016. The capital appreciation bonds will mature in April 2032. The maturity amount of the bonds is \$3,210,000. For fiscal year 2017, \$51,771 was accreted for a total bond value of \$213,640.

\$10,665,000 of the bonds issued on August 25, 2010, consisted of Build America Bonds (BABs) – Direct Payment. These bonds were created through the American Recovery and Reinvestment Act (ARRA) and offer federal subsidies through a refundable tax credit paid to state or local governmental issuers by the Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors in these taxable bonds. The issuer of such bond shall be allowed a credit with respect to each interest payment under such bond which shall be a payable by the Secretary of the Treasury.

\$9,460,000 of the bonds issued on August 25, 2010, consisted of Qualified School Construction Bonds (QSCBs). In addition to the aforementioned BABs, the QSCBs were authorized by the federal government through ARRA. These bonds were issued as tax credit bonds under which the bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. As a condition of selling the bonds, the District is required to maintain a sinking fund with Huntington Bank. The balance of the sinking fund as of June 30, 2016 was \$1,273,764.

\$510,000 of the library refunding bonds issued on July 10, 2013, were issued to refund the 1999 Library Bond II. These bonds will mature in December 2018 and have an interest rate of 2.47 percent. The defeased bond was called in July 2013 and therefore is no longer outstanding at June 30, 2017.

On November 5, 2015, the School District issued a School Improvement Tax Anticipation Note in the amount of \$255,000 for the purchase of a school bus. The note will mature in December 2018 and have an interest rate of 2.10 percent.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 13: LONG-TERM DEBT OBLIGATIONS** (Continued)

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2017 are as follows:

<b>For the Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 245,100	\$ 1,109,307	\$ 1,354,407
2019	256,900	1,101,173	1,358,073
2020	-	1,097,000	1,097,000
2021	-	1,097,000	1,097,000
2022	-	1,097,000	1,097,000
2023-2027	9,460,000	5,485,000	14,945,000
20287-2032	661,853	6,243,147	6,905,000
2033-2037	4,470,000	2,469,382	6,939,382
2038-2042	5,620,000	1,037,794	6,657,794
Total	<u>\$ 20,713,853</u>	<u>\$ 20,736,803</u>	<u>\$ 41,450,656</u>

**NOTE 14: SET-ASIDE REQUIREMENTS**

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

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

	<b>Capital Improvements</b>
Set-aside Reserve Balance as of June 30, 2016	\$ -
Current Year Set-aside Requirement	514,920
Current Year Qualifying Expenditures	(606,356)
Current Year Offsets	(191,499)
Totals	<u>\$ (282,935)</u>
Balance Carried Forward to Fiscal Year 2017	\$ -
Set-aside Reserve Balance as of June 30, 2017	<u>\$ -</u>

The School District has qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 15: FUND BALANCES**

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

<u>Fund Balances</u>	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Restricted for</i>					
Capital Improvements	\$ -	\$ -	\$ -	\$ 380,924	\$ 380,924
Debt Services	-	-	1,489,803	-	1,489,803
Preschool Programs	-	-	-	47,658	47,658
Information System Improvements	-	-	-	-	-
Student Intervention Services	-	-	-	465	465
Special Education	-	-	-	10,623	10,623
District Managed Student Activities	-	-	-	81,182	81,182
Disadvantaged Children	-	-	-	22,386	22,386
Drug Abuse Education	-	-	-	431	431
Teacher Development	-	-	-	9,100	9,100
Facility Maintenance	-	686,336	-	-	686,336
Scholarship Programs	-	-	-	261,084	261,084
Other Grants	-	-	-	22,448	22,448
<i>Total Restricted</i>	<u>-</u>	<u>686,336</u>	<u>1,489,803</u>	<u>836,301</u>	<u>3,012,440</u>
<i>Committed to</i>					
Underground Storage Tanks	11,000	-	-	-	11,000
Other Purposes	11,326	-	-	-	11,326
<i>Total Committed</i>	<u>22,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,326</u>
<i>Assigned to</i>					
Public School	43,508	-	-	-	43,508
Instruction	411,830	-	-	-	411,830
Support Services	1,266,828	-	-	-	1,266,828
Debt Service payments	147,363	-	-	-	147,363
<i>Total Assigned</i>	<u>1,869,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,869,529</u>
<i>Unassigned</i>					
	1,879,545	-	-	-	1,879,545
<b>Total Fund Balances</b>	<u>\$ 3,771,400</u>	<u>\$ 686,336</u>	<u>\$ 1,489,803</u>	<u>\$ 836,301</u>	<u>\$ 6,783,840</u>

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 16: JOINTLY GOVERNED ORGANIZATIONS**

***Lake Geauga Computer Association*** -The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 18 member school districts. Each of the school districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent upon the School District's continued participation. Financial information can be obtained by writing the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

***Auburn Career Center*** - The Auburn Career Center is a joint vocational school operated by eleven school districts. Each participating school district appoints one board member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participants control over the operation of the Auburn Career Center is limited to representation on the board. The Auburn Career Center receives 1.5 mills of School District property taxes which is paid to the Auburn Career Center directly by Geauga County. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained from the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

***Ohio Schools Council Association*** - The Ohio Schools Council Association (Council) is a jointly governed organization among 196 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each school district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2017, the School District paid \$4,569 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The School District participates in the Council's natural gas program. The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. There are currently 151 school districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). School Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and school districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 17: CLAIMS SERVICING POOL**

The School District participates in the Lake County Council of Governments Health Care Benefits (HCBP) Self Insurance Program, a claims servicing pool comprised of three Lake County school districts and one Cuyahoga County School District. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five member Board of Directors elected by the HCBP's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. Financial information can be obtained from Michael Vaccariello at 1956 Red Bird Road, Madison, Ohio 44057.

**NOTE 18: RELATED ORGANIZATION**

*Madison Public Library* - The Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Madison Local School District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and issues tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Madison Public Library, Nancy Currie, Clerk/Treasurer, at 6111 Middle Ridge Road, Madison, Ohio 44057.

**NOTE 19: INSURANCE PURCHASING POOL**

The School District participates in the Ohio Schools Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 20: LAKE COUNTY SCHOOL FINANCING DISTRICT**

The Lake County Educational Service Center has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Revised Code, created a county school financing district known as the Lake County School Financing District (the "Financing District") for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the Financing District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

The Lake County Educational Service Center acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Ohio Revised Code. The Financing District receives settlements of taxes levied and distributes within ten days to each of the Member school districts; each of such Member school district's proportionate shares of that tax settlement. Each Member school district's proportionate share is a fraction, the numerator being Member school district's total pupil population and the denominator being the aggregate pupil population of all Member school districts as of that date. The School District reports this revenue in the accounts of Taxes.



**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 21: COMPLIANCE**

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

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**MADISON LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$98,395
National School Lunch Program	10.555	455,989
National School Lunch Program- Non-Cash Assistance	10.555	77,921
Total - National School Lunch Program		<u>533,910</u>
Total Child Nutrition Cluster		632,305
Buckeye Healthy School Challenge	10.574	<u>3,894</u>
Total U.S. Department of Agriculture		636,199
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Special Education Cluster:</u>		
Special Education: Grants to States	84.027	80,849
Total - Special Education: Grants to States		<u>585,571</u>
		666,420
Special Education: Preschool Grants	84.173	2,074
Total - Special Education: Preschool Grants		<u>23,530</u>
		25,604
Total - Special Education Cluster		692,024
Title I Grants to Local Educational Agencies	84.010	18,362
		72,564
Total - Title I Grants to Local Educational Agencies		<u>472,628</u>
		563,554
Improving Teacher Quality State Grants	84.367	9,172
Total - Improving Teacher Quality State Grants		<u>106,456</u>
		115,628
Total U.S. Department of Education		<u>1,371,206</u>
Total		<u><u>\$2,007,405</u></u>

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

**MADISON LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of the Madison Local School District, Lake County, Ohio, (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in cash position of the District.

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

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Madison Local School District  
Lake County  
1956 Redbird Road  
Madison, Ohio 44057

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 cash-basis 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, Lake County, Ohio, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 28, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



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

November 28, 2017



# Dave Yost • Auditor of State

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

Madison Local School District  
Lake County  
1956 Red Bird Road  
Madison, Ohio 44057

To the Board of Education:

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

We have audited the Madison Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Madison Local School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

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

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

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Madison Local School District, Lake County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

***Report on Internal Control Over Compliance***

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

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

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

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



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

November 28, 2017



**MADISON LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<ul style="list-style-type: none"> <li>➤ Child Nutrition Cluster, CFDA 10.553 and 10.555</li> <li>➤ Special Education Cluster, CFDA 84.027 and 84.173</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

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

**FINDING NUMBER 2017-001**

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

**Ohio Admin. Code § 117-2-03(B)** requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America.

However, the School District prepared its financial statements and notes following the cash basis of accounting. This is a comprehensive basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

We recommend the School District take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles

**Officials' Response:** See Corrective Action Plan

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

None



# MADISON LOCAL SCHOOL DISTRICT

1956 Red Bird Rd., Madison, Ohio 44057 Telephone 440.428.2166 FAX 440.428.9379  
Michael J. Vaccariello, CPA Treasurer [www.madisonschools.net](http://www.madisonschools.net)

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	<b>Noncompliance Finding - Ohio Rev. Code § 117.38</b> – The financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America.	Not corrected	Repeated as 2017-001

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# MADISON LOCAL SCHOOL DISTRICT

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Michael J. Vaccariello, CPA Treasurer [www.madisonschools.net](http://www.madisonschools.net)

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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2017**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	GAAP Statements have not been filed since the cost of preparing GAAP Statements outweighs the benefit. It is not anticipated that GAAP Statements will be filed in the future.	N/A	Michael Vaccariello, Treasurer

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# Dave Yost • Auditor of State

**MADISON LOCAL SCHOOL DISTRICT**

**LAKE 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  
DECEMBER 26, 2017**