

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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2014



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Madison Local School District, Butler County, prepared by Bastin & Company, LLC, for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 23, 2014

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

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Butler County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Award Receipts and Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014, 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.

Bastin & Company, LLC

Cincinnati, Ohio
October 29, 2014

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The discussion and analysis of Madison Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position of governmental activities decreased \$1,087,693 which represents a 6% decrease from 2013.
- General revenues accounted for \$12,986,357 in revenue or 80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,289,939 or 20% of total revenues of \$16,276,296.
- The District had \$17,363,989 in expenses related to governmental activities; \$3,289,939 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,986,357 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Government-wide Financial Statements answer this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities – All of the District's programs and services are reported as Governmental Activities including instruction, support services, operation of noninstructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

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

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

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

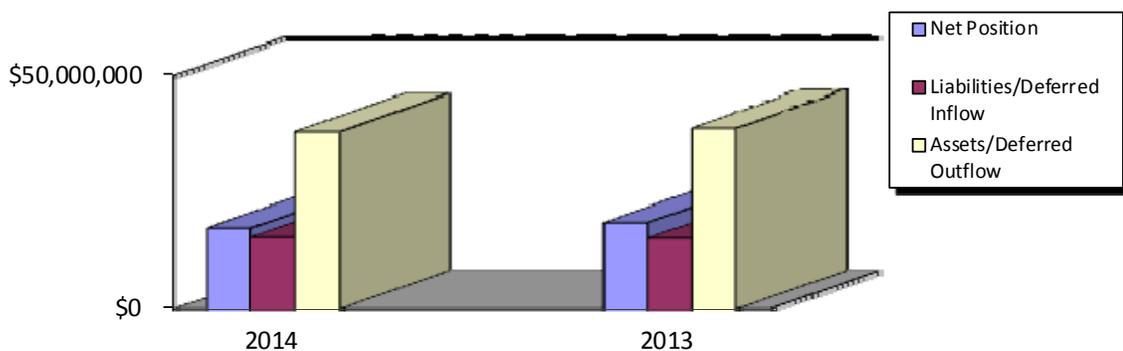
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2014	2013 (Restated)
Assets:		
Current and Other Assets	\$9,772,889	\$9,641,894
Capital Assets	28,186,405	29,095,186
Total Assets	37,959,294	38,737,080
Total Deferred Outflows of Resources	125,532	194,367
Liabilities:		
Other Liabilities	1,582,147	1,504,890
Long-Term Liabilities	13,871,681	13,925,257
Total Liabilities	15,453,828	15,430,147
Total Deferred Inflows of Resources	5,240,351	5,022,960
Net Position:		
Net Investment in Capital Assets	15,117,787	15,903,550
Restricted	1,796,946	1,673,309
Unrestricted	475,914	901,481
Total Net Position	\$17,390,647	\$18,478,340



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities by \$17,390,647.

At year-end, capital assets represented 74% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2014, was \$15,117,787. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,796,946 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets decreased from the prior year mainly due to the decrease in capital assets at year end, which was mainly due to capital asset depreciation being greater than current year additions. Long-term liabilities increased, while net investment in capital assets decreased due to the District issuing new capital leases in 2014.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013 - Restated
Revenues:		
Program Revenues		
Charges for Services	\$1,458,014	\$1,391,774
Operating Grants, Contributions	1,831,925	1,616,899
General Revenues:		
Income Taxes	994,462	893,294
Property Taxes	5,174,238	5,595,510
Grants and Entitlements	6,663,057	6,325,809
Other	154,600	158,227
Total Revenues	<u>16,276,296</u>	<u>15,981,513</u>
Program Expenses:		
Instruction	9,218,828	8,541,255
Support Services:		
Pupil and Instructional Staff	1,140,564	1,640,497
School Administrative, General		
Administration, Fiscal and Business	1,408,075	1,384,663
Operations and Maintenance	1,856,589	1,600,994
Pupil Transportation	1,104,834	1,071,764
Central	306,159	337,649
Operation of Non-Instructional Services	668,162	694,355
Extracurricular Activities	494,008	452,070
Interest and Fiscal Charges	<u>1,166,770</u>	<u>1,125,075</u>
Total Program Expenses	<u>17,363,989</u>	<u>16,848,322</u>
Change in Net Position	(1,087,693)	(866,809)
Net Position - Beginning of Year, Restated	<u>18,478,340</u>	<u>19,345,149</u>
Net Position - End of Year	<u>\$17,390,647</u>	<u>\$18,478,340</u>

Madison Local School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

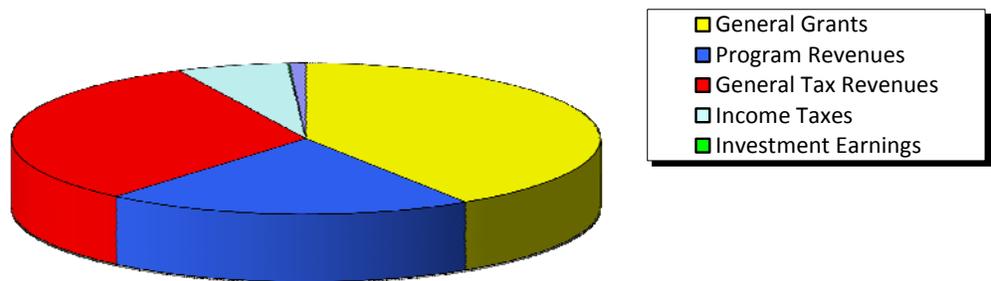
The District revenues are mainly from two sources. Property taxes levied for general, debt service and capital projects purposes and grants and entitlements comprised 73% of the District’s revenues for governmental activities.

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

Thus Ohio districts 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 32% of revenue for governmental activities for the District in fiscal year 2014.

Governmental Activities
Revenue Sources

		<u>Percentage</u>
General Grants	\$6,663,057	40.9%
Program Revenues	3,289,939	20.2%
General Tax Revenues	5,174,238	31.8%
Income Taxes	994,462	6.1%
Investment Earnings	1,637	0.1%
Other Revenues	152,963	0.9%
Total Revenue Sources	<u><u>\$16,276,296</u></u>	<u><u>100.0%</u></u>



Instruction comprises 53.1% of governmental program expenses. Support services expenses were 33.5% of governmental program expenses. All other expenses including interest expense were 13.4%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District’s overall financial position diminished from 2013 to 2014.

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. These services are mainly supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$9,218,828	\$8,541,255	(\$6,837,833)	(\$6,633,826)
Support Services:				
Pupil and Instructional Staff	1,140,564	1,640,497	(1,140,564)	(1,373,402)
School Administrative, General				
Administration, Fiscal and Business	1,408,075	1,384,663	(1,406,842)	(1,384,663)
Operations and Maintenance	1,856,589	1,600,994	(1,824,704)	(1,572,339)
Pupil Transportation	1,104,834	1,071,764	(1,081,261)	(1,049,527)
Central	306,159	337,649	(306,159)	(332,249)
Operation of Non-Instructional Services	668,162	694,355	62,874	(16,049)
Extracurricular Activities	494,008	452,070	(372,791)	(352,519)
Interest and Fiscal Charges	1,166,770	1,125,075	(1,166,770)	(1,125,075)
Total Expenses	<u>\$17,363,989</u>	<u>\$16,848,322</u>	<u>(\$14,074,050)</u>	<u>(\$13,839,649)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the General Fund comprised \$6,278,480 (64%) and the Debt Service Fund comprised \$1,581,261 (16%) of the total \$9,791,295 governmental funds' assets.

General Fund: Fund balance at June 30, 2014 was \$1,059,738 including \$1,041,714 of unassigned balance. The District had a decrease in fund balance of \$355,331. The decrease in fund balance was due to an increase in instructional and support services expenditures in 2014 compared to 2013.

Debt Service Fund: Fund balance at June 30, 2014 was \$625,136 with an increase in fund balance of \$71,539. The fund balance increase over 2013 was due mainly to revenues exceeding expenditures in 2014, which is consistent with prior years.

General Fund Budgeting Highlights

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

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

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

For the General Fund, final budget basis revenue was \$12,871,583, compared to original budget estimates of \$12,233,262. Of this \$638,321 difference, most was due to underestimating taxes and intergovernmental revenues in the original budget.

The District's unobligated cash balance for the General Fund was \$1,854,082.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$28,186,405 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$290,152	\$290,152
Land Improvements	2,004,392	2,004,392
Buildings and Improvements	35,615,542	35,615,542
Furniture and Equipment	3,660,548	3,408,619
Vehicles	37,732	30,720
Less: Accumulated Depreciation	<u>(13,421,961)</u>	<u>(12,254,239)</u>
Total Net Capital Assets	<u>\$28,186,405</u>	<u>\$29,095,186</u>

Total Net Capital Assets decreased in 2014 as compared to 2013 because depreciation expense was greater than current year additions.

See Note 5 to the Basic Financial Statements for further details on the District's capital assets.

Debt

At June 30, 2014, the District had \$13,732,026 in debt outstanding, \$417,918 due within one year. Table 5 summarizes total debt outstanding.

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Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 5
Outstanding Debt at Year End

	2014	2013
General Obligation Bonds Payable:		
1999 General Obligation Bond	\$116,630	\$241,622
2000 General Obligation Bond	159,982	199,994
2006 General Obligation Bond	7,408,587	7,415,000
2006 Capital Appreciation Bonds - Principal Only	107,984	117,984
2007 General Obligation Bond	1,720,000	1,720,000
Premium on General Obligation Bond	496,676	534,882
Accretion on Capital Appreciation Bonds	537,876	425,173
Capital Leases Payable:		
Capital Leases Copier	0	4,827
Capital Leases OASBO HS	2,672,000	2,733,000
Capital Leases OASBO Buses	102,000	125,000
Capital Leases Apple	58,725	115,766
Capital Leases Copier	131,512	177,928
Capital Leases Apple	220,054	0
Total Outstanding Debt at Year End	<u>\$13,732,026</u>	<u>\$13,811,176</u>

See Notes 6 and 7 to the Basic Financial Statements for further details on the District's obligations.

Economic Outlook

The U.S. Economy has been rebounding in 2014 despite a rough winter and most analysts agree it will continue, though temperate, through the remainder of 2014 and into 2015. The U.S. unemployment rate is down 1.4 points from June 2013 to 6.1% in June 2014.

Public school district funding uses a combination of state aide through the foundation program, local sources such as property taxes, income taxes (in some districts) and federal funds. The amount of funds that the district receives is based on a formula that takes into consideration the student enrollment and property wealth of the district. These payments are based on provisions of Am. Sub. H. B. 59 of the 130th General Assembly.

According to the Ohio Department of Education, next year, the State of Ohio will spend more on primary and secondary education than at any point in state history. Fiscal Year 2015, State General Revenue Fund and Lottery Profit spending for primary and secondary education will exceed Fiscal Year 2010 funding levels by \$1.3 billion, or 17.8 percent. Even including one time federal-stimulus funding, tangible personal property tax/utility property tax reimbursements, and property tax relief, Fiscal Year 2015 funding levels will exceed Fiscal Year 2010 funding levels by \$317.8 million, or 3.3 percent.

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

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

reappraisal is currently underway in 2014, and represents an important factor for future District funding. Early indications are the values may stay flat or possibly decrease.

Management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has a five year emergency levy that expires for the 2014 tax year and is eligible for renewal at the February 3, 2015 special election. The current emergency levy generates \$1,100,000 operating revenue for the District and enables the district to avoid an operating deficit.

The District also receives a .5% income tax from residents. Over the past year, the unemployment rate in Ohio has dropped from 7.4% to 5.5% in June of 2014. This decrease in the unemployment rate has been reflective in the Districts income tax collections. The District experienced a 2% increase in the income tax in fiscal year 2014 as compared to fiscal year 2014. It is expected that as the overall economy continues its slow recovery, the income tax will also continue at a slow pace.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rich Natiello, Treasurer at Madison Local School District, 1324 Middletown Eaton Road, Middletown, Ohio 45042. Or E-mail at rich.natiello@madisonmohawks.org.

Madison Local School District, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$3,823,779
Receivables (Net):	
Taxes	5,837,547
Accounts	987
Interest	220
Intergovernmental	105,782
Inventory	4,574
Nondepreciable Capital Assets	290,152
Depreciable Capital Assets, Net	<u>27,896,253</u>
 Total Assets	 <u>37,959,294</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding	<u>125,532</u>
 Total Deferred Outflows of Resources	 <u>125,532</u>
Liabilities:	
Accounts Payable	122,691
Accrued Wages and Benefits	1,384,881
Accrued Interest Payable	74,575
Long-Term Liabilities:	
Due Within One Year	438,923
Due In More Than One Year	<u>13,432,758</u>
 Total Liabilities	 <u>15,453,828</u>
Deferred Inflows of Resources:	
Property Taxes	<u>5,240,351</u>
 Total Deferred Inflows of Resources	 <u>5,240,351</u>
Net Position:	
Net Investment in Capital Assets	15,117,787
Restricted for:	
Food Service	509,846
Debt Service	578,511
Classroom Facilities Maintenance	321,830
Federal Grants	11,125
Capital Projects	333,994
District Managed Activities	10,782
Other Purposes	30,858
Unrestricted	<u>475,914</u>
 Total Net Position	 <u>\$17,390,647</u>

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$7,287,446	\$875,526	\$520,883	(\$5,891,037)
Special	1,385,658	67,089	911,585	(406,984)
Vocational	3,070	0	5,912	2,842
Other	542,654	0	0	(542,654)
Support Services:				
Pupil	772,656	0	0	(772,656)
Instructional Staff	367,908	0	0	(367,908)
General Administration	64,947	0	0	(64,947)
School Administration	1,117,038	0	0	(1,117,038)
Fiscal	223,528	36	0	(223,492)
Business	2,562	634	563	(1,365)
Operations and Maintenance	1,856,589	6,492	25,393	(1,824,704)
Pupil Transportation	1,104,834	0	23,573	(1,081,261)
Central	306,159	0	0	(306,159)
Operation of Non-Instructional Services	668,162	387,020	344,016	62,874
Extracurricular Activities	494,008	121,217	0	(372,791)
Interest and Fiscal Charges	1,166,770	0	0	(1,166,770)
Totals	\$17,363,989	\$1,458,014	\$1,831,925	(14,074,050)

General Revenues:	
Income Taxes	994,462
Property Taxes Levied for:	
General Purposes	3,730,617
Debt Service Purposes	961,150
Capital Projects Purposes	482,471
Grants and Entitlements, Not Restricted	6,663,057
Unrestricted Contributions	1,390
Investment Earnings	1,637
Other Revenues	151,573
Total General Revenues	12,986,357
Change in Net Position	(1,087,693)
Net Position - Beginning of Year, Restated	18,478,340
Net Position - End of Year	\$17,390,647

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$1,934,151	\$598,664	\$1,290,964	\$3,823,779
Receivables (Net):				
Taxes	4,321,951	982,597	532,999	5,837,547
Accounts	565	0	422	987
Interest	211	0	9	220
Intergovernmental	5,879	0	99,903	105,782
Interfund	15,723	0	2,683	18,406
Inventory	0	0	4,574	4,574
Total Assets	6,278,480	1,581,261	1,931,554	9,791,295
Liabilities:				
Accounts Payable	121,390	0	1,301	122,691
Accrued Wages and Benefits	1,209,775	0	175,106	1,384,881
Interfund Payable	0	0	18,406	18,406
Total Liabilities	1,331,165	0	194,813	1,525,978
Deferred Inflows of Resources:				
Property Taxes	3,887,397	956,125	520,460	5,363,982
Grants and Other Taxes	0	0	99,903	99,903
Investment Earnings	180	0	0	180
Total Deferred Inflows of Resources	3,887,577	956,125	620,363	5,464,065
Fund Balances:				
Restricted	0	625,136	1,209,820	1,834,956
Assigned	18,024	0	0	18,024
Unassigned	1,041,714	0	(93,442)	948,272
Total Fund Balances	1,059,738	625,136	1,116,378	2,801,252
Total Liabilities, Deferred Inflows and Fund Balances	\$6,278,480	\$1,581,261	\$1,931,554	\$9,791,295

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance		\$2,801,252
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		28,186,405
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Intergovernmental	123,631	
Interest	180	
Special Assessments	99,903	
		<u>223,714</u>
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(74,575)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(139,655)
Deferred outflow of resources associated with long-term liabilities are not reported in the funds.		
		125,532
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
		<u>(13,732,026)</u>
Net Position of Governmental Activities		<u><u>\$17,390,647</u></u>

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$3,799,540	\$977,922	\$491,027	\$5,268,489
Income Taxes	912,625	0	81,837	994,462
Tuition and Fees	880,735	0	0	880,735
Investment Earnings	1,417	0	220	1,637
Intergovernmental	7,099,085	168,004	1,205,690	8,472,779
Extracurricular Activities	60,495	0	84,458	144,953
Charges for Services	31,409	0	398,744	430,153
Other Revenues	97,867	0	57,268	155,135
Total Revenues	12,883,173	1,145,926	2,319,244	16,348,343
Expenditures:				
Current:				
Instruction:				
Regular	5,863,928	0	829,447	6,693,375
Special	1,067,008	0	311,978	1,378,986
Vocational	299	0	0	299
Other	542,654	0	0	542,654
Support Services:				
Pupil	765,663	0	0	765,663
Instructional Staff	343,512	0	7,495	351,007
General Administration	64,947	0	0	64,947
School Administration	1,005,671	0	10,190	1,015,861
Fiscal	220,142	0	40	220,182
Business	1,652	0	910	2,562
Operations and Maintenance	1,595,058	0	109,040	1,704,098
Pupil Transportation	1,104,325	0	509	1,104,834
Central	275,101	17,837	9,751	302,689
Operation of Non-Instructional Services	29,918	0	602,429	632,347
Extracurricular Activities	358,626	0	108,639	467,265
Capital Outlay	0	0	16,095	16,095
Debt Service:				
Principal Retirement	0	181,417	254,726	436,143
Interest and Fiscal Charges	0	875,133	148,105	1,023,238
Total Expenditures	13,238,504	1,074,387	2,409,354	16,722,245
Excess of Revenues Over (Under) Expenditures	(355,331)	71,539	(90,110)	(373,902)
Other Financing Sources (Uses):				
Proceeds of Capital Leases	0	0	282,496	282,496
Total Other Financing Sources (Uses)	0	0	282,496	282,496
Net Change in Fund Balance	(355,331)	71,539	192,386	(91,406)
Fund Balance - Beginning of Year	1,415,069	553,597	923,992	2,892,658
Fund Balance - End of Year	\$1,059,738	\$625,136	\$1,116,378	\$2,801,252

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Funds (\$91,406)

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

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

Capital assets used in governmental activities	258,941	
Depreciation Expense	<u>(1,167,722)</u>	(908,781)

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

Delinquent Property Taxes	(94,251)	
Intergovernmental	<u>22,204</u>	(72,047)

Repayment of bond and lease principal and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

464,730

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

(200)

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

Compensated Absences	(25,574)	
Amortization of Bond Premium	38,206	
Amortization of Deferred Charge on Refunding	(68,835)	
Bond Accretion	<u>(141,290)</u>	(197,493)

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

(282,496)

Change in Net Position of Governmental Activities

(\$1,087,693)

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$4,581,306	\$4,820,354	\$4,824,896	\$4,542
Tuition and Fees	791,639	832,946	833,731	785
Investment Earnings	1,360	1,431	1,432	1
Intergovernmental	6,737,505	7,089,062	7,095,742	6,680
Extracurricular Activities	27,343	28,770	28,797	27
Charges for Services	1,165	1,226	1,227	1
Other Revenues	92,944	97,794	97,886	92
Total Revenues	12,233,262	12,871,583	12,883,711	12,128
Expenditures:				
Current:				
Instruction:				
Regular	5,695,684	5,825,436	5,730,991	94,445
Special	1,023,644	1,046,963	1,029,989	16,974
Vocational	297	304	299	5
Other	539,311	551,597	542,654	8,943
Support Services:				
Pupil	759,125	776,419	763,831	12,588
Instructional Staff	393,913	402,887	396,355	6,532
General Administration	72,477	74,128	72,926	1,202
School Administration	1,013,836	1,036,932	1,020,121	16,811
Fiscal	225,217	230,348	226,613	3,735
Business	1,642	1,679	1,652	27
Operations and Maintenance	1,572,270	1,608,087	1,582,016	26,071
Pupil Transportation	1,024,857	1,048,204	1,031,210	16,994
Central	272,710	278,922	274,400	4,522
Operation of Non-Instructional Services	33	34	33	1
Extracurricular Activities	318,488	325,743	320,462	5,281
Total Expenditures	12,913,504	13,207,683	12,993,552	214,131
Excess of Revenues Over (Under) Expenditures	(680,242)	(336,100)	(109,841)	226,259
Other financing sources (uses):				
Advances In	10,738	11,298	11,309	11
Advances (Out)	(562)	(574)	(565)	9
Total Other Financing Sources (Uses)	10,176	10,724	10,744	20
Net Change in Fund Balance	(670,066)	(325,376)	(99,097)	226,279
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	1,953,179	1,953,179	1,953,179	0
Fund Balance - End of Year	\$1,283,113	\$1,627,803	\$1,854,082	\$226,279

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$39,293
Receivables (Net):	
Accounts	<u>2,038</u>
Total Assets	<u><u>41,331</u></u>
Liabilities:	
Accounts Payable	565
Other Liabilities	<u>40,766</u>
Total Liabilities	<u><u>\$41,331</u></u>

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies

Description of the District

Madison Local School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five-member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by 65 noncertified and 99 certified teaching personnel providing education to 1,650 students.

Reporting Entity

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable.

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

Measurement Focus

Government-wide Financial Statements

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

Fiduciary funds are reported using the economic resources measurement focus.

Fund Accounting

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

The following fund types are used by the District:

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

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

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

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

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District’s own programs. The District reports only an agency fund; it is utilized to account for various student-managed activity programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period.

Unearned Revenue

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

Expenses/Expenditures

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

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

Budgetary Process

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

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

Tax Budget

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

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Estimated Resources

Prior to April 1, the Board accepts by formal resolution the tax rates as determined by the County Budget Commission, and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2014.

Appropriations

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

Lapsing of Appropriations

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

Budgetary Basis of Accounting

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

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$355,331)
Revenue Accruals	711
Expenditure Accruals	256,795
Advances In	11,309
Advances (Out)	(565)
Encumbrances	(13,605)
Funds Budgeted Elsewhere	<u>1,589</u>
Budget Basis	<u><u>(\$99,097)</u></u>

Cash and Cash Equivalents

Cash and cash equivalents includes all demand deposits and investments.

The District pools its cash for investment and resource management purposes. Each fund’s equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 2, “Cash, Cash Equivalents and Investments.”

Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools”, the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreement and certificates of deposit) which are reported at cost, which approximates fair value. See Note 2, “Cash, Cash Equivalents and Investments.”

Under existing Ohio statutes, the Board of Education has, by resolution, specified the funds to receive allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 totaled \$1,417 and \$220 was credited to other funds of the District.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current fiscal period are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. There were no prepaid items at June 30, 2014.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Capital Assets and Depreciation

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

Property, Plant and Equipment - Governmental Activities

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

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

Depreciation

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

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

Long-Term Obligations

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

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

Compensated Absences

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

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

Net Position

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

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

Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

reported as other financing sources/uses in governmental funds and eliminated in the Statement of Activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Fund Balance

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

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

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

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

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

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Estimates

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

Note 2 - Cash, Cash Equivalents and Investments

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

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

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

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

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

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

this State, as to which there is no default of principal, interest or coupons.

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

Deposits

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

At year end the carrying amount of the District’s deposits was \$3,863,072 and the bank balance was \$3,945,442. The Federal Deposit Insurance Corporation (FDIC) covered \$600,000 of the bank balance and \$3,345,442 was uninsured.

Note 3 – Taxes

Property Tax

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2011, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Butler County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2014 receipts were based are:

	Amount
Agricultural/Residential and Other Real Estate	\$151,500,340
Public Utility Personal	4,123,060
Total	\$155,623,400

Income Tax

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

Note 4 – Receivables

Receivables at June 30, 2014 consisted of taxes, interest, accounts, intergovernmental and interfund receivables.

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Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 - Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$290,152	\$0	\$0	\$290,152
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,004,392	0	0	2,004,392
Buildings and Improvements	35,615,542	0	0	35,615,542
Furniture and Equipment	3,408,619	251,929	0	3,660,548
Vehicles	30,720	7,012	0	37,732
Totals at Historical Cost	<u>41,349,425</u>	<u>258,941</u>	<u>0</u>	<u>41,608,366</u>
Less Accumulated Depreciation:				
Land Improvements	1,192,536	96,401	0	1,288,937
Buildings and Improvements	8,303,563	880,056	0	9,183,619
Furniture and Equipment	2,730,492	190,622	0	2,921,114
Vehicles	27,648	643	0	28,291
Total Accumulated Depreciation	<u>12,254,239</u>	<u>1,167,722</u>	<u>0</u>	<u>13,421,961</u>
Governmental Activities Capital Assets, Net	<u>\$29,095,186</u>	<u>(\$908,781)</u>	<u>\$0</u>	<u>\$28,186,405</u>

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$751,824
Special	6,672
Vocational	2,772
Support Services:	
Pupils	6,993
Instructional Staff	16,901
School Administration	101,589
Fiscal	2,487
Operations & Maintenance	218,487
Central	3,470
Operation of Non-Instructional Services	29,784
Extracurricular Activities	26,743
Total Depreciation Expense	<u>\$1,167,722</u>

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 6 - Long-Term Debt and Other Obligations

Detail of the changes in long-term debt and other long-term obligations of the District for the year ended June 30, 2014 are as follows:

	Interest Rate	Restated Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
Governmental Activities:						
<u>Bonds/Notes Payable:</u>						
1999 General Obligation Bond	4.25-5.75%	\$241,622	\$0	\$124,992	\$116,630	\$116,630
2000 General Obligation Bond	4.5-5.60%	199,994	0	40,012	159,982	35,410
2006 General Obligation Bond	4.0-4.05%	7,415,000	0	6,413	7,408,587	7,185
2006 Capital Appreciation Bonds - Principal Only	4.0-4.125%	117,984	0	10,000	107,984	10,000
2007 General Obligation Bond	4.0-4.125%	1,720,000	0	0	1,720,000	0
Premium on General Obligation Bond		534,882	0	38,206	496,676	0
Accretion on Capital Appreciation Bonds		425,173	141,290	28,587	537,876	0
<u>Capital Leases Payable:</u>						
Capital Leases Copier		4,827	0	4,827	0	0
Capital Leases OASBO HS		2,733,000	0	61,000	2,672,000	64,000
Capital Leases OASBO Buses		125,000	0	23,000	102,000	24,000
Capital Leases Apple		115,766	0	57,041	58,725	58,725
Capital Leases Copier		177,928	0	46,416	131,512	46,416
Capital Leases Apple		0	282,496	62,442	220,054	55,552
Subtotal Bonds		<u>13,811,176</u>	<u>423,786</u>	<u>502,936</u>	<u>13,732,026</u>	<u>417,918</u>
Compensated Absences		<u>114,081</u>	<u>49,285</u>	<u>23,711</u>	<u>139,655</u>	<u>21,005</u>
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM DEBT		<u>\$13,925,257</u>	<u>\$473,071</u>	<u>\$526,647</u>	<u>\$13,871,681</u>	<u>\$438,923</u>

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

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

Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2014, follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$162,040	\$694,460	\$856,500	\$7,185	\$42,815	\$50,000
2016	41,338	531,214	572,552	52,406	412,595	465,001
2017	37,735	534,210	571,945	41,980	433,020	475,000
2018	509,547	527,115	1,036,662	10,000	0	10,000
2019	611,725	508,075	1,119,800	0	0	0
2020-2024	4,444,227	1,291,337	5,735,564	0	0	0
2025-2027	3,595,000	219,551	3,814,551	0	0	0
Total	<u>\$9,401,612</u>	<u>\$4,305,962</u>	<u>\$13,707,574</u>	<u>\$111,571</u>	<u>\$888,430</u>	<u>\$1,000,001</u>

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Defeased Debt

In November 2006, the District partially refunded \$8,300,000 of General Obligation Bonds for School Improvement Series 1999, dated October 1, 1999, through the issuance of \$8,299,993 of General Obligation Bonds. The net proceeds of the 2006 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$8,010,000 at June 30, 2014, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

In March 2007, the District partially refunded \$1,955,000 of General Obligation Bonds for School Improvement Series 2000, dated November 27, 2000, through the issuance of \$1,954,998 of General Obligation Bonds. The net proceeds of the 2007 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,800,000, at June 30, 2014, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

Note 7 - Capital Lease Commitments

The District is obligated under five leases accounted for as capital leases. The cost of the leased assets (copiers, computers, administration building and high school project) are accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Long-Term Liabilities. The original cost of the assets under capital lease was \$4,519,241.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2014:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Capital</u> <u>Leases</u>
2015	\$334,962
2016	332,720
2017	324,399
2018	285,915
2019	251,691
2020-2024	994,235
2025-2029	988,649
2030-2034	979,162
2035-2037	582,641
Total Minimum Lease Payments	\$5,074,374
Amount Representing Interest and Additional program cost component	(1,890,083)
Present Value of Minimum Lease Payments	<u>\$3,184,291</u>

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

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

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$228,840, \$238,032, and \$319,300, respectively; contributions equaled the required contributions for each year.

State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

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

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

DB Plan Benefits

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

DC Plan Benefits

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

Combined Plan Benefits

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

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

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

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

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$774,372, \$795,552, and \$798,614, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 9 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.74%. District contributions for the years ended June 30, 2014, 2013 and 2012 were \$12,096, \$12,582, and \$18,856, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$2,615, \$2,720, and \$13,828, respectively.

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

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

State Teachers Retirement System of Ohio

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$55,312, \$56,825, and \$61,432, 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 - Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

Litigation

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2014.

Note 11 - Jointly Governed Organization

The Southwest Ohio Computer Association (SWOCA), a jointly governed organization, was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the four county consortium supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of one representative from each four districts plus one representative from the fiscal agent. The degree of control exercised by any participating school district is limited to its representation on the Board. During the 2014 fiscal year the District paid \$88,359 to SWOCA for services. To obtain financial information, write to the Southwestern Ohio Computer Association, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Note 12 - Risk Management

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

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 13 – Compliance and Accountability

Fund Deficits

The fund deficits at June 30, 2014 are listed below:

<u>Fund</u>	<u>Deficit</u>
IDEA, Part B Special Education	\$36,967
Title I	46,587
Drug-Free Schools	406
Improving Teacher Quality	9,482
	<u>\$93,442</u>

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

Note 14 - Statutory Reserves

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

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

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2013	\$0
Current Year Set Aside Requirements	260,529
Qualified Disbursements	<u>(280,378)</u>
Set Aside Reserve Balance as of June 30, 2014	<u>0</u>
Restricted Cash as of June 30, 2014	<u>\$0</u>
Carried Forward as of June 30, 2014	\$0

While the qualifying disbursements during the fiscal year reduced the capital improvement set-aside amount to below zero, this amount may not be used to reduce the set-aside requirements of future fiscal years.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 15 - Interfund Balances

Following is a summary of interfund receivables/payables for all funds at June 30, 2014:

	Interfund	
	Receivable	Payable
General Fund	\$15,723	\$0
Other Governmental Funds	2,683	18,406
Total All Funds	<u>\$18,406</u>	<u>\$18,406</u>

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

Note 16 – Fund Balances

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Restricted for:				
Special Trust	0	0	7,497	7,497
Classroom Facilities Maintenance Building	0	0	321,830	321,830
Classroom Facilities	0	0	49,951	49,951
Other Grants	0	0	11,334	11,334
Food Service	0	0	23,361	23,361
Debt Service Payments	0	518,302	0	518,302
Athletic	0	0	625,136	625,136
Permanent Improvement	0	0	10,782	10,782
	0	0	266,763	266,763
Total Restricted	<u>0</u>	<u>625,136</u>	<u>1,209,820</u>	<u>1,834,956</u>
Assigned to:				
Encumbrances	8,009	0	0	8,009
Public School	10,015	0	0	10,015
Total Assigned	<u>18,024</u>	<u>0</u>	<u>0</u>	<u>18,024</u>
Unassigned (Deficit)	<u>1,041,714</u>	<u>0</u>	<u>(93,442)</u>	<u>948,272</u>
Total Fund Balance	<u>\$1,059,738</u>	<u>625,136</u>	<u>\$1,116,378</u>	<u>\$2,801,252</u>

Note 17 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement Number 67, *Financial Reporting from Pension Plans* – an amendment of GASB Statement Number 25. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District. GASB Statement Number 67 replaces the requirements of Statements Number 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Deferred Contribution Plans*, and Number 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The provisions of the Statement are effective for financial statements for periods beginning after June 15, 2013, and have been implemented by the District. The implementation of GASB 67 had no effect on the financial statements.

Note 18 – Prior Period Adjustment

In prior periods, the District had reported assets related to bond issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65 requires a restatement of prior period’s net position as follows:

	Governmental Activities
	<hr/>
Net Position - June 30, 2013	\$18,588,051
Prior Period Adjustments:	
Bond Issuance Costs	(109,711)
	<hr/>
Restated Net Position - June 30, 2013	<u>\$18,478,340</u>

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**MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY, OHIO
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U. S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Lunch Program - Food Distribution	N/A	10.555	\$ -	\$ 47,156	\$ -	\$ 42,581
National School Lunch Program	3L60	10.555	245,468	-	245,468	-
School Breakfast Program	3L70	10.553	46,058	-	46,058	-
Total Nutrition Cluster			<u>291,526</u>	<u>47,156</u>	<u>291,526</u>	<u>42,581</u>
Total U.S. Department of Agriculture			<u>291,526</u>	<u>47,156</u>	<u>291,526</u>	<u>42,581</u>
U. S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	400,065	-	385,772	-
Total Title I, Part A Cluster			<u>400,065</u>	<u>-</u>	<u>385,772</u>	<u>-</u>
Special Education Cluster (Idea):						
Special Education - Grants to States	3M20	84.027	283,820	-	275,118	-
Special Education - Preschool	3C50	84.173	2,152	-	2,152	-
Total Special Education (Idea) Cluster			<u>285,972</u>	<u>-</u>	<u>277,270</u>	<u>-</u>
Improving Teacher Quality State Grants	3Y60	84.367	51,561	-	49,291	-
Total Improving Teacher Quality State Grants			<u>51,561</u>	<u>-</u>	<u>49,291</u>	<u>-</u>
State Fiscal Stabilization Fund - Race-To-The-Top Incentive Grants - ARRA						
Total SFSF - Race-To-The-Top Incentive Grants - ARRA	3FD0	84.395	1,050	-	1,050	-
			<u>1,050</u>	<u>-</u>	<u>1,050</u>	<u>-</u>
Total U.S. Department of Education			<u>738,648</u>	<u>-</u>	<u>713,383</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,030,174</u>	<u>\$ 47,156</u>	<u>\$ 1,004,909</u>	<u>\$ 42,581</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – MATCHING REQUIREMENTS

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

Bastin & Company, LLC

Certified Public Accountants

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Butler County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Cincinnati, Ohio
October 29, 2014

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Madison Local School District's, Butler County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Madison Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink and is positioned above a light gray rectangular box.

Cincinnati, Ohio
October 29, 2014

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

**SCHEDULE OF FINDINGS
OMB Circular A-133 § .505**

JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Type of financial statement opinion	Unmodified
Were there any material control weaknesses reported at the financial statement level?	No
Were there any other significant deficiencies in internal control reported at the financial statement level?	No
Was there any reported material noncompliance reported at the financial statement level?	No
Were there any material internal control weaknesses reported for major federal programs?	No
Were there any other significant deficiencies in internal control reported for major federal programs?	No
Type of major programs' compliance opinion	Unmodified
Are there any reportable findings?	No
Major programs:	Nutrition Cluster CFDA's 10.553 & 10.555
Dollar threshold to distinguish between Type A/B programs	Type A: > \$300,000 Type B: all other
Low risk auditee?	Yes

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

MADISON LOCAL SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2014**