



OHIO AUDITOR OF STATE
KEITH FABER



**MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY
JUNE 30, 2020**

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**MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY
JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

Madison Local School District
Butler County
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 School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
February 24, 2021

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Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(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, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- Net position of governmental activities decreased \$571,189 which represents a 9% decrease from 2019.
- General revenues accounted for \$16,352,313 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,741,282 or 19% of total revenues of \$20,093,595.
- The District had \$20,664,784 in expenses related to governmental activities; \$3,741,282 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$16,352,313 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 2020?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows* and *liabilities and deferred inflows* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

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

In the Government-wide Financial Statements, the 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 is 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

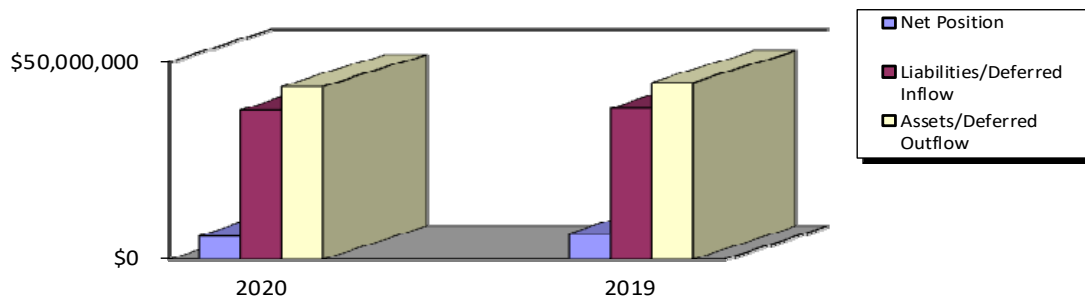
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2020 compared to 2019:

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Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2020	2019
Assets:		
Current and Other Assets	\$16,193,480	\$15,650,581
Net OPEB Asset	913,202	874,212
Capital Assets	22,571,483	23,449,003
Total Assets	39,678,165	39,973,796
Deferred Outflows of Resources:		
Deferred Charge on Refunding	0	11,350
OPEB	502,573	302,505
Pension	3,339,100	4,258,418
Total Deferred Outflows of Resources	3,841,673	4,572,273
Liabilities:		
Other Liabilities	1,853,975	1,651,682
Long-Term Liabilities	28,227,844	28,519,714
Total Liabilities	30,081,819	30,171,396
Deferred Inflows of Resources:		
Property Taxes	5,035,920	5,182,672
Gain in Refunding	163,319	186,650
OPEB	1,614,295	1,527,946
Pension	742,751	1,024,482
Total Deferred Inflows of Resources	7,556,285	7,921,750
Net Position:		
Net Investment in Capital Assets	12,629,188	12,682,019
Restricted	3,292,731	3,035,344
Unrestricted	(10,040,185)	(9,264,440)
Total Net Position	\$5,881,734	\$6,452,923



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$5,881,734.

At year-end, capital assets represented 57% of total assets. Capital assets include land, land

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2020, was \$12,629,188. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$3,292,731 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 slightly from the prior year mainly due to a decrease in capital assets. Long-term liabilities decreased slightly from the prior year mainly due to the District making regular payments on their long-term debt.

Table 2 shows the changes in net position for fiscal years 2020 and 2019.

Table 2
Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues		
Charges for Services	\$1,687,668	\$1,646,025
Operating Grants, Contributions	2,053,614	1,977,062
General Revenues:		
Income Taxes	1,304,955	1,320,290
Property Taxes	5,475,856	5,313,474
Grants and Entitlements	8,898,699	9,164,352
Other	672,803	617,983
Total Revenues	20,093,595	20,039,186
Program Expenses:		
Instruction	11,309,017	9,195,937
Support Services:		
Pupil and Instructional Staff	1,789,363	1,441,669
School Administrative, General		
Administration, Fiscal and Business	1,916,836	1,371,935
Operations and Maintenance	2,001,418	1,784,097
Pupil Transportation	1,420,991	1,473,462
Central	470,275	361,086
Operation of Non-Instructional Services	807,457	692,170
Extracurricular Activities	540,793	498,159
Interest and Fiscal Charges	408,634	470,266
Total Program Expenses	20,664,784	17,288,781
Change in Net Position	(571,189)	2,750,405
Net Position - Beginning of Year	6,452,923	3,702,518
Net Position - End of Year	\$5,881,734	\$6,452,923

The District revenues are mainly from two sources. Property taxes levied for general, debt service and capital projects purposes and grants and entitlements comprised 72% of the District's revenues for governmental activities.

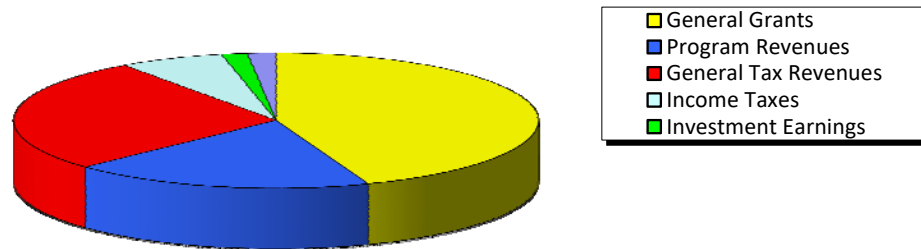
Madison Local School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

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 27% of revenue for governmental activities for the District in fiscal year 2020.

Governmental Activities
Revenue Sources

	2020	Percentage
General Grants	\$8,898,699	44%
Program Revenues	3,741,282	19%
General Tax Revenues	5,475,856	27%
Income Taxes	1,304,955	6%
Investment Earnings	318,424	2%
Other Revenues	354,379	2%
Total Revenue Sources	\$20,093,595	100.00%



Instruction comprises 55% of governmental program expenses. Support services expenses were 37% of governmental program expenses. All other expenses including interest and fiscal charges were 8%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District’s overall financial position worsened from 2019 to 2020. Grants and entitlements decreased due to a decrease in grant monies received in fiscal year 2020.

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.

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$11,309,017	\$9,195,937	(\$8,509,822)	(\$6,516,095)
Support Services:				
Pupil and Instructional Staff	1,789,363	1,441,669	(1,711,246)	(1,429,912)
School Administrative, General				
Administration, Fiscal and Business	1,916,836	1,371,935	(1,916,836)	(1,371,935)
Operations and Maintenance	2,001,418	1,784,097	(1,896,646)	(1,712,743)
Pupil Transportation	1,420,991	1,473,462	(1,387,620)	(1,445,283)
Central	470,275	361,086	(470,275)	(361,086)
Operation of Non-Instructional Services	807,457	692,170	(180,035)	14,260
Extracurricular Activities	540,793	498,159	(442,388)	(372,634)
Interest and Fiscal Charges	408,634	470,266	(408,634)	(470,266)
Total Expenses	<u>\$20,664,784</u>	<u>\$17,288,781</u>	<u>(\$16,923,502)</u>	<u>(\$13,665,694)</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 \$11,504,668 (71%) and the Debt Service Fund comprised \$1,772,571 (11%) of the total \$16,296,313 governmental funds' assets.

General Fund: Fund balance at June 30, 2020 was \$5,912,236 including \$2,973,225 of unassigned balance. The District had an increase in fund balance of \$265,103. The increase in fund balance was due to total revenues exceeding expenditures during the year.

Debt Service Fund: Fund balance at June 30, 2020 was \$972,918 with an increase in fund balance of \$957. Fund balance remained relatively stable from 2019 to 2020.

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.

For the General Fund, final budget basis revenue was \$16,398,516, compared to original budget estimates of \$16,329,769. Of this \$68,747 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 \$6,376,701.

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$22,571,483 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2020 balances compared to fiscal year 2019:

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

	Governmental Activities	
	2020	2019
Land	\$290,152	\$290,152
Land Improvements	2,079,285	2,079,285
Buildings and Improvements	35,826,116	35,826,116
Furniture and Equipment	4,312,388	4,099,108
Vehicles	29,565	48,265
Less: Accumulated Depreciation	(19,966,023)	(18,893,293)
Total Net Capital Assets	<u>\$22,571,483</u>	<u>\$23,449,633</u>

Total Net Capital Assets decreased in 2020 as compared to 2019 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, 2020, the District had \$9,778,976 in debt outstanding, \$987,000 due within one year. Table 5 summarizes total debt outstanding.

Table 5
Outstanding Debt at Year End

	2020	2019
General Obligation Bonds Payable:		
2016 Refunding Bonds	\$7,030,000	\$7,665,000
Premium on 2016 Refunding Bonds	546,976	583,457
2000 General Obligation Bond	0	19,227
Capital Leases Payable:		
Capital Leases OASBO HS	2,148,000	2,234,000
Capital Leases Copier	54,000	90,000
Total Outstanding Debt at Year End	<u>\$9,778,976</u>	<u>\$10,591,684</u>

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

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

Economic Outlook

The 2020 economic outlook was fairly positive and proved to be going in the right direction. But the COVID-19 pandemic changed all that.

In 2018, the unemployment rate dropped to the lowest levels since the 1960's and growth remained strong. In 2019, the positive and healthy momentum continued.

The U.S. unemployment measures the number of people actively looking for a job as a percentage of the labor force. The Unemployment Rate in the United States averaged 5.77 percent from 1948 until 2018, reaching an all-time high of 10.80 percent in November of 1982 and a record low of 2.50 percent in May of 1953. As of June 2019, the US Unemployment rate was down to 3.7%. By February 2020, the national unemployment rate was down to 3.5% and the economy was roaring. The state of Ohio unemployment rate in June 2017 was 4.9%, in June 2018, the state of Ohio unemployment rate was at 4.6%. In June 2019 the Ohio unemployment rate was down to 4.0%. By February 2020 the Ohio unemployment rate was 4.10%. By March 2020, the economy started to take a severe hit due to the COVID-19 pandemic/virus that forced businesses and schools to close and citizens to shelter at home. As a result, by the end of April 2020, the U.S. unemployment rate was 14.7% and the Ohio unemployment rate grew to 17.6%. By June 30, 2020 the business closure restrictions started to lift, the U.S. unemployment rate recovered slightly and stood at 11.1% and the Ohio unemployment rate fell to 10.9%, a notable improvement.

The current Public school district funding is based on a formula that takes into account the student enrollment and the property wealth of the district, local sources such as property taxes, income taxes (in some districts) and federal funds. The amount of state aid funds that the District receives is based on a formula that takes into consideration the student enrollment and property wealth of the district. Payments to the districts are calculated from data reported by the district and are made twice each month according to a schedule published each spring by the Ohio Department of Education. Since the data are updated throughout the year, the annual amount due to the district is calculated for each payment and the district receives approximately 1/24th of the annual amount. Using the district's EMIS data and the USAS coding structure, ODE reports the district revenue per pupil by revenue source. Because not all revenue is expended in the year in which it was received, the district's Total Revenue Sources Per Pupil and Total Annual Spending Per Pupil will not be identical in any given year. These payments were based on provisions of Am. Sub. H. B. 166 of the 133rd General Assembly (the Main Operating, Transportation, Workers' Compensation, and Industrial Commission budget bills) for fiscal years 2020 and 2021. The state aid received by the District comprises approximately 54% of the District's budget. Fiscal Year 2020 state aid revenue for the district decreased from fiscal year 2019 by \$193,185. This was a result of the state having to reduce funding in response to the COVID-19 impact on the state budget.

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, the 2011 reappraisal values resulted in a continued decrease in property values. There was also the reappraisal completed in 2014. The 2014 reappraisal saw an overall net decrease in valuation for the District. The next tax value update was the 2017 Triennial Update. With that update, we saw an overall increase of 5% in total valuation. Residential values increased, but

Madison Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Commercial values and Agriculture values (CAUV) decreased. Public Utilities, though a small percent of total valuation, increased 10%. The most recent assessed valuation certified by Butler County Auditor is for 2020 collections which is based off of Tax Year 2019. The total Tax Year 2019 tax base for the district was \$165.5 million, up from \$165.1 million in Tax Year 2018. This is a .24% increase, resulting from of a slight increase in Agriculture, Residential, and Public Utility. There was a decrease in Commercial and Industrial values.

The District also receives a .5% income tax from residents. As of February 2020, the Ohio unemployment rate was 4.10%. As a result of the COVID-19 pandemic/virus, by April 30, 2020 the unemployment rate jumped up to 17.60% and then as people started to get back to work it fell to 10.90% as of June 30, 2020. The District experienced a 1.24% decrease in the income tax revenue in fiscal year 2020 compared to fiscal year 2019. Because the overall economy was impacted by COVID-19 and businesses we forced to close in order to help stop the spread of the virus, the income tax revenue is expected to decline. Economic recovery will be dependent on the severity of the virus and the ability of businesses to re-open.

Contacting the District's Financial Management

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

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Madison Local School District, Ohio
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$10,249,900
Receivables (Net):	
Taxes	5,825,804
Accounts	1,618
Intergovernmental	80,190
Prepaid	15,896
Inventory	20,072
Nondepreciable Capital Assets	290,152
Depreciable Capital Assets, Net	22,281,331
Net OPEB Asset	913,202
	<hr/>
Total Assets	39,678,165
Deferred Outflows of Resources:	
Pension	3,339,100
OPEB	502,573
	<hr/>
Total Deferred Outflows of Resources	3,841,673
Liabilities:	
Accounts Payable	141,702
Accrued Wages and Benefits	1,689,432
Accrued Interest Payable	22,841
Long-Term Liabilities:	
Due Within One Year	1,008,569
Due In More Than One Year:	
Net Pension Liability	16,424,631
Net OPEB Liability	1,819,340
Other Amounts	8,975,304
	<hr/>
Total Liabilities	30,081,819
Deferred Inflows of Resources:	
Property Taxes	5,035,920
Deferred Gain on Refunding	163,319
OPEB	1,614,295
Pension	742,751
	<hr/>
Total Deferred Inflows of Resources	7,556,285
Net Position:	
Net Investment in Capital Assets	12,629,188
Restricted for:	
Food Service	894,549
Debt Service	988,886
Classroom Facilities Maintenance	399,606
Federal Grants	12,235
Capital Projects	815,459
District Managed Activities	59,557
Other Purposes	122,439
Unrestricted	(10,040,185)
	<hr/>
Total Net Position	\$5,881,734

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$7,760,255	\$1,157,752	\$310,736	(\$6,291,767)
Special	2,947,504	107,560	1,194,424	(1,645,520)
Vocational	0	0	28,723	28,723
Other	601,258	0	0	(601,258)
Support Services:				
Pupil	1,306,545	0	64,392	(1,242,153)
Instructional Staff	482,818	0	13,725	(469,093)
General Administration	201,895	0	0	(201,895)
School Administration	1,377,239	0	0	(1,377,239)
Fiscal	337,702	0	0	(337,702)
Operations and Maintenance	2,001,418	23,787	80,985	(1,896,646)
Pupil Transportation	1,420,991	0	33,371	(1,387,620)
Central	470,275	0	0	(470,275)
Operation of Non-Instructional Services	807,457	300,164	327,258	(180,035)
Extracurricular Activities	540,793	98,405	0	(442,388)
Interest and Fiscal Charges	408,634	0	0	(408,634)
Totals	\$20,664,784	\$1,687,668	\$2,053,614	(16,923,502)

General Revenues:

Income Taxes	1,304,955
Property Taxes Levied for:	
General Purposes	4,029,956
Debt Service Purposes	894,749
Capital Projects Purposes	551,151
Grants and Entitlements, Not Restricted	8,898,699
Unrestricted Contributions	56,326
Investment Earnings	318,424
Other Revenues	298,053

Total General Revenues 16,352,313

Change in Net Position (571,189)

Net Position - Beginning of Year 6,452,923

Net Position - End of Year \$5,881,734

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2020

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$6,953,552	\$927,414	\$2,368,934	\$10,249,900
Receivables (Net):				
Taxes	4,434,855	845,157	545,792	5,825,804
Accounts	1,618	0	0	1,618
Intergovernmental	95	0	80,095	80,190
Interfund	100,150	0	2,683	102,833
Prepaid	14,398	0	1,498	15,896
Inventory	0	0	20,072	20,072
Total Assets	11,504,668	1,772,571	3,019,074	16,296,313
Liabilities:				
Accounts Payable	141,702	0	0	141,702
Accrued Wages and Benefits	1,537,615	0	151,817	1,689,432
Interfund Payable	0	0	102,833	102,833
Total Liabilities	1,679,317	0	254,650	1,933,967
Deferred Inflows of Resources:				
Property Taxes	3,913,115	799,653	518,115	5,230,883
Grants and Other Taxes	0	0	15,653	15,653
Total Deferred Inflows of Resources	3,913,115	799,653	533,768	5,246,536
Fund Balances:				
Nonspendable	14,398	0	1,498	15,896
Restricted	0	972,918	2,290,919	3,263,837
Assigned	2,924,613	0	0	2,924,613
Unassigned	2,973,225	0	(61,761)	2,911,464
Total Fund Balances	5,912,236	972,918	2,230,656	9,115,810
Total Liabilities, Deferred Inflows and Fund Balances	\$11,504,668	\$1,772,571	\$3,019,074	\$16,296,313

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, 2020

Total Governmental Fund Balance		\$9,115,810
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		22,571,483
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	194,963	
Intergovernmental	<u>15,653</u>	
		210,616
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.		
		(22,841)
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		(204,897)
Deferred charges for bond refunding losses and gains are not recognized in the governmental funds, whereas they are capitalized and amortized for net position		
Deferred gain on refunding		(163,319)
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	3,339,100	
Deferred inflows of resources related to pensions	(742,751)	
Deferred outflows of resources related to OPEB	502,573	
Deferred inflows of resources related to OPEB	<u>(1,614,295)</u>	
		1,484,627
Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	913,202	
Net Pension Liability	(16,424,631)	
Net OPEB Liability	(1,819,340)	
Other Amounts	<u>(9,778,976)</u>	
		<u>(27,109,745)</u>
Net Position of Governmental Activities		<u><u>\$5,881,734</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, 2020

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$4,041,681	\$897,161	\$552,639	\$5,491,481
Income Taxes	1,223,118	0	81,837	1,304,955
Tuition and Fees	1,203,822	0	0	1,203,822
Investment Earnings	299,148	0	19,276	318,424
Intergovernmental	9,672,690	134,550	1,139,193	10,946,433
Extracurricular Activities	46,174	0	83,508	129,682
Charges for Services	34,556	0	313,458	348,014
Other Revenues	196,519	0	164,010	360,529
Total Revenues	16,717,708	1,031,711	2,353,921	20,103,340
Expenditures:				
Current:				
Instruction:				
Regular	6,307,031	0	448,167	6,755,198
Special	2,406,215	0	339,334	2,745,549
Other	601,258	0	0	601,258
Support Services:				
Pupil	1,179,050	0	82,823	1,261,873
Instructional Staff	393,111	0	54,143	447,254
General Administration	200,553	0	0	200,553
School Administration	1,178,820	0	0	1,178,820
Fiscal	310,639	0	0	310,639
Operations and Maintenance	1,583,163	0	173,812	1,756,975
Pupil Transportation	1,420,991	0	0	1,420,991
Central	430,877	15,091	9,552	455,520
Operation of Non-Instructional Services	33,684	0	715,660	749,344
Extracurricular Activities	407,313	0	72,458	479,771
Capital Outlay	0	0	9,529	9,529
Debt Service:				
Principal Retirement	0	654,227	122,000	776,227
Interest and Fiscal Charges	0	361,436	111,700	473,136
Total Expenditures	16,452,705	1,030,754	2,139,178	19,622,637
Excess of Revenues Over (Under) Expenditures	265,003	957	214,743	480,703
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	100	0	260	360
Total Other Financing Sources (Uses)	100	0	260	360
Net Change in Fund Balance	265,103	957	215,003	481,063
Fund Balance - Beginning of Year	5,647,133	971,961	2,015,653	8,634,747
Fund Balance - End of Year	\$5,912,236	\$972,918	\$2,230,656	\$9,115,810

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, 2020

Net Change in Fund Balance - Total Governmental Funds \$481,063

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	213,280	
Depreciation Expense	<u>(1,088,930)</u>	(875,650)

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (1,870)

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

District pension contributions	1,310,064	
Cost of benefits earned net of employee contributions - Pension	(2,535,483)	
District OPEB contributions	47,436	
Cost of benefits earned net of employee contributions - OPEB	<u>192,328</u>	(985,655)

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

Delinquent Property Taxes	(15,625)	
Intergovernmental	<u>5,880</u>	(9,745)

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. 776,227

In the statement of activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due. 16,040

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	(20,061)	
Amortization of Bond Premium	36,481	
Amortization of Deferred Charge on Refunding	(11,350)	
Amortization of Deferred Gain on Refunding	<u>23,331</u>	28,401

Change in Net Position of Governmental Activities (\$571,189)

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2020

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$48,950
Receivables (Net):	
Accounts	<u>2,038</u>
Total Assets	<u>50,988</u>
Liabilities:	
Other Liabilities	<u>50,988</u>
Total Liabilities	<u><u>\$50,988</u></u>

See accompanying notes to the basic financial statements.

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Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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 64 noncertified and 106 certified teaching personnel providing education to 1,435 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 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,

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020

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 agency funds. One is utilized to account for various student-managed activity programs and the other is to account for OHSSA tournament programs. The agency funds are 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 inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

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

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

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. For the District, deferred outflows of resources includes pension and other post employment benefits. The deferred outflows of

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

resources related to OPEB and pension are reported on the government-wide statements of net position. For more pension and OPEB related information, see Notes 8 and 9.

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, OPEB, grants and other taxes, deferred gain on refunding, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance year 2021 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Deferred gain on refunding has been recorded as deferred inflows on the government-wide statement of net position. Grants and other taxes have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 8 and 9.

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.

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."

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2020 totaled \$299,148 and \$19,276 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 was \$15,896 in prepaid items at June 30, 2020.

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.

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Pensions/Other Postemployment Benefits (OPEB)

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

Compensated Absences

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

<u>VACATION</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	0 - 25 days per year	10-20 days for each service year depending on length of service – bonus of maximum 5 days eligible
Maximum Accumulation	Not Applicable	0 – 60 days	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Used prior to termination	Used prior to termination

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

SICK LEAVE

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position 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 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

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

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

Madison Local School District, Ohio
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For the Fiscal Year Ended June 30, 2020

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.

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided 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 the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer’s investment pool (STAR Ohio).
8. Certain bankers’ acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

Madison Local School District, Ohio
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For the Fiscal Year Ended June 30, 2020

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 for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2020, \$4,445,692 of the District's bank balance of \$4,696,717 was exposed to custodial credit risk because it was uninsured and collateralized.

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

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

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

Investments

As of June 30, 2020, the District had the following investments:

	<u>Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Federal National Mortgage Association - Discount	\$151,350	Level 2	0.85
Federal Home Loan Mortgage	437,255	Level 2	0.53
Federal Farm Credit Bank	275,921	Level 2	1.80
Certificates of Deposit	3,912,541	Level 2	3.15
U.S. Treasury Notes	120,472	Level 1	0.34
STAR Ohio	565,440	N/A	0.12
Money Market Funds	12,806	N/A	0.00
Total Investment	<u>\$5,475,785</u>		
Portfolio Weighted Average Maturity			2.43

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2020. STAR Ohio is reported at its share price (Net Asset value per share).

Madison Local School District, Ohio
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Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Federal National Mortgage Assoc. – Discount, Federal Home Loan Mortgage, Federal Farm Credit Bank, Treasury Notes were rated AAA by Standard & Poor’s and Fitch ratings and Aaa by Moody’s Investors Service. Investments in Star Ohio were rated AAAM by Standard and Poor’s. Investments in Money Market Funds and Certificates of Deposit were not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested 3% in Federal National Mortgage Association – Discount, 8% in Federal Home Loan Mortgage, 5% Federal Farm Credit Bank, 71% in Certificates of Deposit, 2% in Treasury Notes, 10% in Star Ohio, and less than 1% in Money Market Funds.

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

Note 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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2012, were levied after April 1, 2015 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property 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, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Madison Local School District, Ohio
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For the Fiscal Year Ended June 30, 2020

The assessed values upon which the fiscal year 2020 receipts were based are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$159,375,110
Public Utility Personal	<u>6,155,000</u>
Total	<u><u>\$165,530,110</u></u>

Income Tax

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

Note 4 – Receivables

Receivables at June 30, 2020 consisted of taxes, accounts, intergovernmental and interfund receivables.

Note 5 - Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2020:

	<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	2,079,285	0	0	2,079,285
Buildings and Improvements	35,826,116	0	0	35,826,116
Furniture and Equipment	4,099,108	213,280	0	4,312,388
Vehicles	48,265	0	18,700	29,565
Totals at Historical Cost	<u>42,342,926</u>	<u>213,280</u>	<u>18,700</u>	<u>42,537,506</u>
Less Accumulated Depreciation:				
Land Improvements	1,777,059	97,899	0	1,874,958
Buildings and Improvements	13,583,086	863,390	0	14,446,476
Furniture and Equipment	3,509,228	124,685	0	3,633,913
Vehicles	24,550	2,956	16,830	10,676
Total Accumulated Depreciation	<u>18,893,923</u>	<u>1,088,930</u>	<u>16,830</u>	<u>19,966,023</u>
Governmental Activities Capital Assets, Net	<u>\$23,449,003</u>	<u>(\$875,650)</u>	<u>\$1,870</u>	<u>\$22,571,483</u>

Madison Local School District, Ohio
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For the Fiscal Year Ended June 30, 2020

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$697,336
Special	6,281
Vocational	2,611
Support Services:	
Pupils	6,584
Instructional Staff	15,915
School Administration	95,652
Fiscal	2,342
Operations & Maintenance	205,719
Central	3,267
Operation of Non-Instructional Services	28,044
Extracurricular Activities	25,179
Total Depreciation Expense	<u><u>\$1,088,930</u></u>

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, 2020 are as follows:

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
Governmental Activities:						
<u>Bonds</u>						
2016 Refunding Bonds	1.50-3.00%	\$7,665,000	\$0	\$635,000	\$7,030,000	\$860,000
Premium on 2016 Refunding Bonds		583,457	0	36,481	546,976	0
2000 General Obligation Bond	4.50-5.60%	19,227	0	19,227	0	0
Subtotal Bonds		8,267,684	0	690,708	7,576,976	860,000
<u>Capital Leases</u>						
Capital Leases OASBO		2,234,000	0	86,000	2,148,000	91,000
Capital Leases Copier		90,000	0	36,000	54,000	36,000
Subtotal Capital Leases		2,324,000	0	122,000	2,202,000	127,000
<u>Compensated Absences</u>						
		184,836	37,851	17,790	204,897	21,569
Subtotal Bonds and Other Amounts		10,776,520	37,851	830,498	9,983,873	1,008,569
<u>Net Pension Liability</u>						
STRS		11,962,152	231,082	0	12,193,234	0
SERS		3,874,647	356,750	0	4,231,397	0
Subtotal Net Pension Liability		15,836,799	587,832	0	16,424,631	0
<u>Net OPEB Liability</u>						
STRS		0	0	0	0 (a)	0
SERS		1,906,395	0	87,055	1,819,340	0
Subtotal Net OPEB Liability		1,906,395	0	87,055	1,819,340	0
Total Long-Term Obligations		<u><u>\$28,519,714</u></u>	<u><u>\$625,683</u></u>	<u><u>\$917,553</u></u>	<u><u>\$28,227,844</u></u>	<u><u>\$1,008,569</u></u>

(a) OPEB for STRS has a Net OPEB asset in the amount of \$913,202 as of June 30, 2020.

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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 2020 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.

On September 28, 2016 the District issued \$8,805,000 in Current Interest Bonds with an interest rate between 1.50% and 3.00% which was used to advance refund \$7,408,587 of the outstanding 2006 General Obligation Bonds with an interest rate between 4.00% and 4.05% and \$1,690,000 of the outstanding 2007 General Obligation Bonds with an interest rate between 4.00% and 4.125%. The net proceeds of \$9,406,409 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the three bond issues. As a result, \$7,408,587 of the 2006 General Obligation Bonds and \$1,690,000 of the 2007 General Obligation Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

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, 2020 follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2021	\$860,000	\$169,688	\$1,029,688
2022	910,000	156,413	1,066,413
2023	935,000	135,563	1,070,563
2024	980,000	106,838	1,086,838
2025	1,095,000	79,819	1,174,819
2026-2027	2,250,000	67,350	2,317,350
Total	<u>\$7,030,000</u>	<u>\$715,671</u>	<u>\$7,745,671</u>

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

Note 7 - Capital Lease Commitments

The District is obligated under five leases accounted for as capital leases. The cost of the leased assets (buses, computers, copiers, 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 \$3,761,509.

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, 2020:

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Fiscal Year Ending June 30	Capital Leases
2021	\$235,279
2022	216,489
2023	198,468
2024	198,189
2025	197,653
2026-2030	985,768
2031-2035	974,976
2036	193,866
Total Minimum Lease Payments	\$3,200,688
Amount Representing Interest and Additional program cost component	(998,688)
Present Value of Minimum Lease Payments	\$2,202,000

Note 8 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions/OPEB are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the employer is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The contractually required contribution to SERS was \$342,816 for fiscal year 2020. Of this amount \$53,825 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective Aug. 1, 2017 through July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective Aug. 1, 2019–July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in

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STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The contractually required contribution to STRS was \$967,248 for fiscal year 2020. Of this amount \$164,192 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,231,397	\$12,193,234	\$16,424,631
Proportion of the Net Pension Liability:			
Current Measurement Date	0.07072160%	0.05513708%	
Prior Measurement Date	<u>0.06765360%</u>	<u>0.05440370%</u>	
Change in Proportionate Share	0.00306800%	0.00073338%	
Pension Expense	\$790,591	\$1,744,892	\$2,535,483

At June 30 2020, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Madison Local School District, Ohio
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	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$107,299	\$99,273	\$206,572
Changes of assumptions	0	1,432,331	1,432,331
Changes in employer proportionate share of net pension liability	131,097	259,036	390,133
Contributions subsequent to the measurement date	342,816	967,248	1,310,064
Total Deferred Outflows of Resources	<u>\$581,212</u>	<u>\$2,757,888</u>	<u>\$3,339,100</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$52,782	\$52,782
Net difference between projected and actual earnings on pension plan investments	54,316	595,939	650,255
Changes in employer proportionate share of net pension liability	7,159	32,555	39,714
Total Deferred Inflows of Resources	<u>\$61,475</u>	<u>\$681,276</u>	<u>\$742,751</u>

\$1,310,064 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$210,585	\$806,739	\$1,017,324
2022	(60,853)	210,374	149,521
2023	(3,614)	(7,979)	(11,593)
2024	30,803	100,230	131,033
Total	<u>\$176,921</u>	<u>\$1,109,364</u>	<u>\$1,286,285</u>

Actuarial Assumptions - SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration

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the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment

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rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

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

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Proportionate share of the net pension liability	\$5,929,700	\$4,231,397	\$2,807,158

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%

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

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$17,819,053	\$12,193,234	\$7,430,690

Note 9 - Defined Benefit OPEB Plans

See Note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

The employer contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible

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individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the employer's surcharge obligation was \$47,436.

The surcharge, added to any allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The contractually required contribution to SERS was \$47,436 for fiscal year 2020. Of this amount \$47,436 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment

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health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability (asset) was based on the employer's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,819,340	\$0	\$1,819,340
Proportionate Share of the Net OPEB (Asset)	0	(913,202)	(913,202)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.07234560%	0.05513708%	
Prior Measurement Date	<u>0.06871700%</u>	<u>0.05440370%</u>	
Change in Proportionate Share	0.00362860%	0.00073338%	
OPEB Expense	\$81,249	(\$273,577)	(\$192,328)

At June 30 2020, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$26,707	\$82,789	\$109,496
Changes of assumptions	132,882	19,195	152,077
Net difference between projected and actual earnings on OPEB plan investments	4,367	0	4,367
Changes in employer proportionate share of net OPEB liability	145,838	43,359	189,197
Contributions subsequent to the measurement date	<u>47,436</u>	<u>0</u>	<u>47,436</u>
Total Deferred Outflows of Resources	<u>\$357,230</u>	<u>\$145,343</u>	<u>\$502,573</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$399,697	\$46,460	\$446,157
Changes of assumptions	101,950	1,001,221	1,103,171
Net difference between projected and actual earnings on OPEB plan investments	0	57,355	57,355
Changes in employer proportionate share of net OPEB liability	<u>2,164</u>	<u>5,448</u>	<u>7,612</u>
Total Deferred Inflows of Resources	<u>\$503,811</u>	<u>\$1,110,484</u>	<u>\$1,614,295</u>

\$47,436 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability

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(adjustment to net OPEB asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	(\$77,624)	(\$211,981)	(\$289,605)
2022	(24,725)	(211,982)	(236,707)
2023	(23,444)	(188,993)	(212,437)
2024	(23,653)	(180,929)	(204,582)
2025	(29,217)	(174,586)	(203,803)
Thereafter	(15,354)	3,330	(12,024)
Total	(\$194,017)	(\$965,141)	(\$1,159,158)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

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Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
Investment Rate of Return	7.50% net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13%
Prior Measurement Date	3.62%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.22%
Prior Measurement Date	3.70%
Medical Trend Assumption:	
Medicare	5.25% to 4.75%
Pre-Medicare	7.00% to 4.75%

Mortality rates among active members were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years. The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
Proportionate share of the net OPEB liability	\$2,208,333	\$1,819,340	\$1,510,044
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$1,457,660	\$1,819,340	\$2,299,202

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Assumption and Benefit Changes since the Prior Measurement Date

Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(1) Discount Rate:

Prior Measurement Date	3.70%
Measurement Date	3.22%

(2) Municipal Bond Index Rate:

Prior Measurement Date	3.62%
Measurement Date	3.13%

(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.70%
Measurement Date	3.22%

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.87% initial, 4% ultimate
Medicare	4.93% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	7.73% initial, 4% ultimate
Medicare	9.62% initial, 4% ultimate

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected

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rate of return for each major asset class are summarized as follows:

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019 and June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019 and June 30, 2018.

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$779,236)	(\$913,202)	(\$1,025,836)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$1,035,529)	(\$913,202)	(\$763,381)

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Assumption and Benefit Changes since the Prior Measurement Date

There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

There were changes in assumptions, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

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, 2020.

Litigation

The District is currently party to legal proceedings which seek damages or injunctive relief but are generally incidental to its operations and pending projects as of June 30, 2020.

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 2020 fiscal year the District paid \$114,165 to SWOCA for services. To obtain financial information, write to the Southwestern Ohio Computer Association, at 3611 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, 2020

Note 13 – Compliance and Accountability

Fund Deficits

The fund deficits at June 30, 2020 are listed below:

<u>Fund</u>	<u>Deficit</u>
Other Governmental Funds:	
IDEA, Part B Special Education	\$34,894
Title I	11,072
Drug-Free Schools	406
Improving Teacher Quality	14,365
	<u>\$60,737</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, 2019	\$0
Current Year Set Aside Requirements	276,538
Qualified Disbursements	<u>(324,464)</u>
Set Aside Reserve Balance as of June 30, 2020	<u>(\$47,926)</u>
Restricted Cash as of June 30, 2020	<u>\$0</u>
Carried Forward as of June 30, 2020	\$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.

Note 15 - Interfund Balances

Following is a summary of interfund receivables/payables for all funds at June 30, 2020:

Madison Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	Interfund	
	Receivable	Payable
General Fund	\$100,150	\$0
Other Governmental Funds	2,683	102,833
Total All Funds	<u>\$102,833</u>	<u>\$102,833</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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Prepaid	\$14,398	\$0	\$1,498	\$15,896
Total Nonspendable	<u>14,398</u>	<u>0</u>	<u>1,498</u>	<u>15,896</u>
Restricted for:				
Special Trust	0	0	4,608	4,608
Classroom Facilities Maintenance	0	0	399,606	399,606
Other Grants	0	0	106,901	106,901
Food Service	0	0	903,722	903,722
Title VI Innovative Projects	0	0	81	81
Student Wellness and Success	0	0	10,930	10,930
Debt Service Payments	0	972,918	0	972,918
Athletic	0	0	59,557	59,557
Permanent Improvement	0	0	446,127	446,127
Capital Projects	0	0	359,387	359,387
Total Restricted	<u>0</u>	<u>972,918</u>	<u>2,290,919</u>	<u>3,263,837</u>
Assigned to:				
Encumbrances	110,804	0	0	110,804
Budgetary Resource	2,806,497	0	0	2,806,497
Public School	7,312	0	0	7,312
Total Assigned	<u>2,924,613</u>	<u>0</u>	<u>0</u>	<u>2,924,613</u>
Unassigned (Deficit)	<u>2,973,225</u>	<u>0</u>	<u>(61,761)</u>	<u>2,911,464</u>
Total Fund Balance	<u>\$5,912,236</u>	<u>\$972,918</u>	<u>\$2,230,656</u>	<u>\$9,115,810</u>

Note 17 – Contingencies

School Foundation

The District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

Note 18 – Implementation of New Accounting Principles

For fiscal year 2020, the District has postponed implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, GASB No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and GASB No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The District did not implement these statements due to the GASB postponing the implementation by 12 months because of the Covid-19 pandemic.

Note 19 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures could impact subsequent periods of the District. The District's investment portfolio could incur a significant decline in fair value, in 2020, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, the impact of the investments of the pension and other employee benefit plan in which the District participates and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

Madison Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2020	0.07072160%	\$4,231,397	\$2,426,148	174.41%	70.85%
2019	0.06765360%	3,874,647	2,250,933	172.14%	71.36%
2018	0.06491600%	3,878,588	2,161,800	179.41%	69.50%
2017	0.06549400%	4,793,556	1,818,521	263.60%	62.98%
2016	0.06404800%	3,654,641	1,752,473	208.54%	69.16%
2015	0.06355100%	3,216,280	1,865,317	173.18%	71.70%
2014	0.06355100%	3,750,613	1,331,535	281.68%	65.52%

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

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

See accompanying notes to the required supplementary information.

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

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$342,816	(\$342,816)	\$0	\$2,448,686	14.00%
2019	327,530	(327,530)	0	2,426,148	13.50%
2018	315,131	(315,131)	0	2,250,933	13.50%
2017	302,652	(302,652)	0	2,161,800	14.00%
2016	254,593	(254,593)	0	1,818,521	14.00%
2015	230,976	(230,976)	0	1,752,473	13.18%
2014	258,533	(258,533)	0	1,865,317	13.86%
2013	238,032	(238,032)	0	1,331,535	17.88%
2012	351,984	(351,984)	0	1,379,682	25.51%
2011	370,128	(370,128)	0	1,586,001	23.34%

See accompanying notes to the required supplementary information.

Madison Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2020	0.05513708%	\$12,193,234	\$6,652,886	183.28%	77.40%
2019	0.05440370%	11,962,152	6,085,371	196.57%	77.30%
2018	0.05308588%	12,610,665	5,943,257	212.18%	75.30%
2017	0.05326415%	17,829,117	5,810,057	306.87%	66.80%
2016	0.05346923%	14,777,331	5,485,464	269.39%	72.10%
2015	0.05421090%	13,185,967	5,956,708	221.36%	74.70%
2014	0.05421090%	15,663,668	5,671,826	276.17%	69.30%

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

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

See accompanying notes to the required supplementary information.

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

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$967,248	(\$967,248)	\$0	6,908,914	14.00%
2019	931,404	(931,404)	0	6,652,886	14.00%
2018	851,952	(851,952)	0	6,085,371	14.00%
2017	832,056	(832,056)	0	5,943,257	14.00%
2016	813,408	(813,408)	0	5,810,057	14.00%
2015	767,964	(767,964)	0	5,485,464	14.00%
2014	774,372	(774,372)	0	5,956,708	13.00%
2013	795,552	(795,552)	0	5,671,826	14.03%
2012	814,284	(814,284)	0	5,885,520	13.84%
2011	834,192	(834,192)	0	6,105,021	13.66%

See accompanying notes to the required supplementary information.

Madison Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB Liability
2020	0.07234560%	\$1,819,340	\$2,426,148	74.99%	15.57%
2019	0.06871700%	1,906,395	2,334,304	81.67%	13.57%
2018	0.06491600%	1,772,246	2,161,800	81.98%	12.46%
2017	0.06641216%	1,892,992	1,818,521	104.10%	11.49%

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

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

See accompanying notes to the required supplementary information.

Madison Local School District
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Five Fiscal Years (1) (2)

Year	District's Contractually Required Contribution (2)	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$47,436	(\$47,436)	\$0	\$2,448,686	1.94%
2019	55,679	(55,679)	0	2,426,148	2.29%
2018	48,745	(48,745)	0	2,334,304	2.09%
2017	33,781	(33,781)	0	2,161,800	1.56%
2016	33,781	(33,781)	0	1,818,521	1.86%

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

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

Madison Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB (Asset)/Liability	District's Proportionate Share of the Net OPEB (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2020	0.05513708%	(\$913,202)	\$6,652,886	13.73%	174.74%
2019	0.05433037%	(874,212)	6,085,371	14.37%	176.00%
2018	0.05308588%	2,071,215	5,943,257	34.85%	47.10%
2017	0.05326415%	2,848,581	5,810,057	49.03%	37.30%

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

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

See accompanying notes to the required supplementary information.

Madison Local School District
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1) (2)

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$0	\$0	\$0	\$6,908,914	0.00%
2019	0	0	0	6,652,886	0.00%
2018	0	0	0	6,085,371	0.00%
2017	0	0	0	5,943,257	0.00%
2016	0	0	0	5,810,057	0.00%

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

See accompanying notes to the required supplementary information.

Madison Local School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$5,203,589	\$5,225,496	\$5,254,212	\$28,716
Tuition and Fees	1,142,588	1,147,399	1,153,704	6,305
Investment Earnings	112,453	112,926	113,547	621
Intergovernmental	9,657,363	9,698,020	9,751,314	53,294
Extracurricular Activities	19,055	19,135	19,240	105
Other Revenues	194,721	195,540	196,615	1,075
Total Revenues	<u>16,329,769</u>	<u>16,398,516</u>	<u>16,488,632</u>	<u>90,116</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,770,477	6,442,152	6,203,755	238,397
Special	2,661,241	2,532,188	2,438,482	93,706
Other	664,724	632,489	609,083	23,406
Support Services:				
Pupil	1,290,705	1,228,114	1,182,667	45,447
Instructional Staff	442,204	420,760	405,189	15,571
General Administration	244,682	232,817	224,201	8,616
School Administration	1,236,657	1,176,687	1,133,143	43,544
Fiscal	318,504	303,059	291,844	11,215
Operations and Maintenance	1,715,841	1,632,634	1,572,217	60,417
Pupil Transportation	1,572,520	1,496,262	1,440,892	55,370
Central	495,761	471,719	454,263	17,456
Operation of Non-Instructional Services	4,983	4,741	4,566	175
Extracurricular Activities	417,433	397,190	382,492	14,698
Total Expenditures	<u>17,835,732</u>	<u>16,970,812</u>	<u>16,342,794</u>	<u>628,018</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,505,963)</u>	<u>(572,296)</u>	<u>145,838</u>	<u>718,134</u>
Other financing sources (uses):				
Proceeds from Sale of Assets	99	99	100	1
Advances In	76,116	76,436	76,856	420
Advances (Out)	(92,141)	(87,672)	(84,428)	3,244
Total Other Financing Sources (Uses)	<u>(15,926)</u>	<u>(11,137)</u>	<u>(7,472)</u>	<u>3,665</u>
Net Change in Fund Balance	(1,521,889)	(583,433)	138,366	721,799
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>6,238,335</u>	<u>6,238,335</u>	<u>6,238,335</u>	<u>0</u>
Fund Balance - End of Year	<u>\$4,716,446</u>	<u>\$5,654,902</u>	<u>\$6,376,701</u>	<u>\$721,799</u>

See accompanying notes to the required supplemental information.

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Madison Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

Note 1 - Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2020.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

Madison Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

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

Net Change in Fund Balance	
	General Fund
GAAP Basis	\$265,103
Revenue Accruals	(229,076)
Expenditures Accruals	357,757
Transfers (Out)	0
Advances In	76,856
Advances (Out)	(84,428)
Encumbrances	(247,846)
Budget Basis	\$138,366

Note 2 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2020: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2018-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

Madison Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Note 3 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2017-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Prior Measurement Date	3.70%
Measurement Date	3.22%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.62%
Measurement Date	3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.70%
Measurement Date	3.22%

Madison Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (4) Discount Rate:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%
- (5) Municipal Bond Index Rate:
 - Prior Measurement Date 3.56%
 - Measurement Date 3.62%
- (6) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%
- (2) Municipal Bond Index Rate:
 - Fiscal Year 2018 3.56%
 - Fiscal Year 2017 2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were

Madison Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

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

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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**MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Non-Cash Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution)				
National School Lunch Program	10.555	N/A	\$ 0	\$ 58,911
Cash Assistance				
National School Breakfast Program	10.553	3L70	62,065	0
National School Lunch Program	10.555	3L60	212,257	0
Total Child Nutrition Cluster			<u>274,322</u>	<u>58,911</u>
Total U.S. Department of Agriculture			<u>274,322</u>	<u>58,911</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster:				
Special Education - Grants to State	84.027	3M20	318,937	0
Special Education - Grants to State (Restoration)	84.027	3M20	450	0
Special Education - Preschool Grants	84.173	3C50	3,846	0
Special Education - Preschool Grants (Restoration)	84.173	3C50	1,206	0
Total Special Education Cluster			<u>324,439</u>	<u>0</u>
Title I Grants to Local Educational Agencies	84.010	3M00	192,795	0
Supporting Effective Instruction State Grants	84.367	3Y60	36,337	0
Title IV-A Student Support and Academic Enrichment	84.424	N/A	7,411	0
Total U.S. Department of Education			<u>560,982</u>	<u>0</u>
Total Expenditures of Federal Awards			<u>\$ 835,304</u>	<u>\$ 58,911</u>

The accompanying notes are an integral part of this schedule.

**MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Madison Local School District (the School District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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

Madison Local School District
Butler County
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, (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 24, 2021 wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing 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 School District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
February 24, 2021

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Madison Local School District (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Madison Local School District's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School 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, 2020.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio
February 24, 2021

**MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



MADISON LOCAL SCHOOL DISTRICT

BUTLER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/23/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov