

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

BASIC FINANCIAL STATEMENTS

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2013*

ROBIN KLENK, TREASURER

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Accountant's Compilation Report

To the Madison Local School District Board of Education
Mansfield, Ohio

We have compiled the basic financial statements, as listed in the table of contents, for the Madison Local School District (the "District"), as of and for the year ended June 30, 2013. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 14, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. We have compiled such information without audit or review and, accordingly, we do not express an opinion or provide any assurance on it.

Julian & Grube, Inc.

November 27, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position decreased \$1,092,269 from restated net position at July 1, 2012. Net position of governmental activities decreased \$1,183,162, which represents a 5.55% decrease from 2012 as restated in Note 3.A. Net position of business-type activities increased \$90,893 or 30.23% from fiscal year 2012.
- General revenues accounted for \$27,906,702 in revenue or 79.53% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,184,459 or 20.47% of total governmental activities revenues of \$35,091,161.
- The District had \$36,249,323 in expenses related to governmental activities; only \$7,184,459 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$27,906,702 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, building fund, and classroom facilities fund. The general fund had \$29,261,489 in revenues and other financing sources and \$30,560,707 in expenditures and other financing uses. The general fund's fund balance decreased \$1,299,218 from \$4,792,325 to \$3,493,107.
- The building fund had \$8,526 in revenues and \$4,052,394 in expenditures. The building fund's fund balance decreased \$4,043,868 from a balance of \$9,186,789 to \$5,142,921.
- The classroom facilities fund had \$1,683,268 in revenues and other financing sources and \$17,556,167 in expenditures. The classroom facilities fund's fund balance decreased \$15,872,899 from a balance of \$21,038,088 to \$5,165,189.
- The District's major enterprise funds are the adult education fund and the preschool fund. The adult education fund had \$1,175,181 in revenues and \$1,133,379 in expenses. The adult education fund also received transfers of \$25,000. The net position of the adult education increased \$66,802 from \$249,455 to a balance of \$316,257.
- The preschool enterprise fund had \$454,920 in revenues and \$444,075 in expenses. The net position of the preschool fund increased \$10,845 from \$66,090 to a balance of \$76,935.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during fiscal year 2013?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses, using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. The change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

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

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

The District's statement of net position and statement of activities can be found on pages 15 through 17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund, building fund, and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 18 through 22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements closely resemble information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 23 through 25 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 26 and 27. These activities are excluded from the District's other financial statements because these resources cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29 through 61 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012. In accordance with GASB Statement No. 65, balances at June 30, 2013 have been restated to eliminate unamortized bond issuance costs from current assets and the District's net investment in capital assets and to reclassify property taxes levied for the next fiscal year to be presented as a deferred inflow of resources rather than a liability as previously reported.

	Governmental Activities		Net Position Business-Type Activities		Total	
	June 30, 2013	Restated	June 30, 2013	June 30, 2012	June 30, 2013	Restated
		June 30, 2012		June 30, 2012		June 30, 2012
<u>Assets</u>						
Current assets	\$ 36,481,547	\$ 55,188,082	\$ 463,981	\$ 381,130	\$ 36,945,528	\$ 55,569,212
Capital assets, net	29,797,951	8,276,653	41,657	37,328	29,839,608	8,313,981
Total assets	<u>66,279,498</u>	<u>63,464,735</u>	<u>505,638</u>	<u>418,458</u>	<u>66,785,136</u>	<u>63,883,193</u>
<u>Liabilities</u>						
Current liabilities	6,448,470	5,015,436	96,385	86,609	6,544,855	5,102,045
Long-term liabilities	29,977,924	30,165,766	17,666	31,155	29,995,590	30,196,921
Total liabilities	<u>36,426,394</u>	<u>35,181,202</u>	<u>114,051</u>	<u>117,764</u>	<u>36,540,445</u>	<u>35,298,966</u>
<u>Deferred Inflows of Resources</u>	<u>9,700,748</u>	<u>6,948,015</u>	-	-	<u>9,700,748</u>	<u>6,948,015</u>
<u>Net Position</u>						
Net investment in capital assets	10,196,783	4,132,833	36,043	37,328	10,232,826	4,170,161
Restricted	1,644,341	9,708,201	-	-	1,644,341	9,708,201
Unrestricted	8,311,232	7,494,484	355,544	263,366	8,666,776	7,757,850
Total net position	<u>\$ 20,152,356</u>	<u>\$ 21,335,518</u>	<u>\$ 391,587</u>	<u>\$ 300,694</u>	<u>\$ 20,543,943</u>	<u>\$ 21,636,212</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

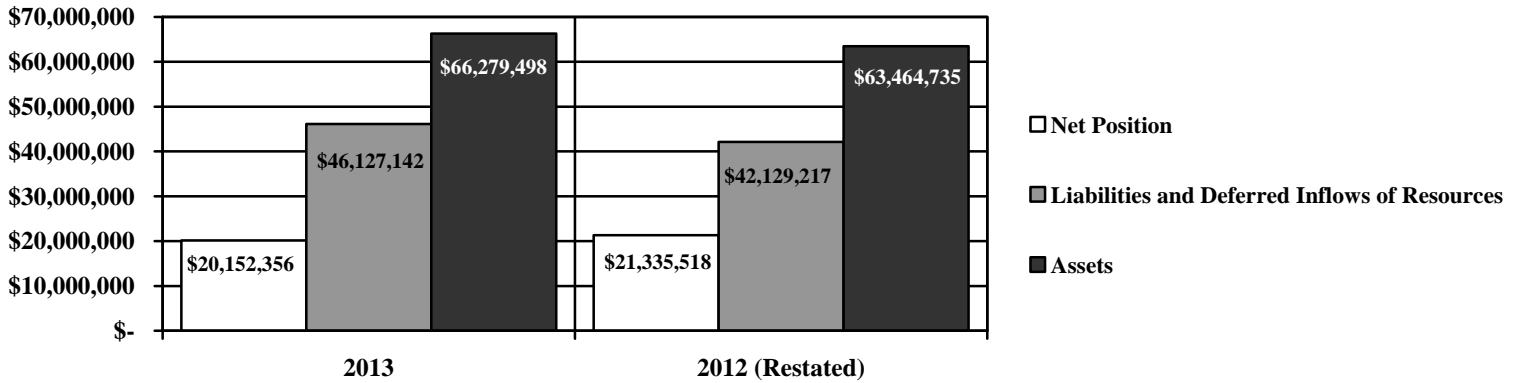
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities and deferred inflows of resources by \$20,543,943. \$20,152,356 of this total is in the governmental activities, and \$391,587 is in the business-type activities.

Capital assets reported on the government-wide statements represented 44.68% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. In the governmental activities, the District's net investment in capital assets at June 30, 2013 was \$10,196,783. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of the outstanding balances of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

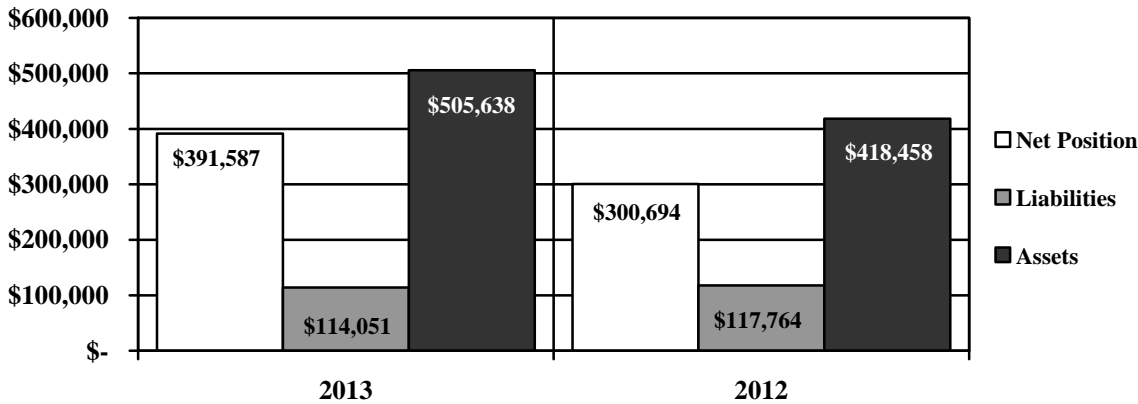
A portion of the District's net position, \$1,644,341, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is \$8,311,232.

The graphs below present the District's governmental and business-type net position at June 30, 2013 and June 30, 2012. In accordance with GASB Statement No. 65, balances of the governmental activities at June 30, 2012 have been restated to eliminate unamortized bond issuance costs from current assets and the District's net investment in capital assets

Governmental - Net Position



Business-Type - Net Position



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Activities

Net position of the District's governmental activities decreased \$1,183,162 from restated net position at July 1, 2012. Total governmental activities expenses of \$36,249,323 were offset by program revenues of \$7,184,459 and general revenues of \$27,906,702. Program revenues supported 19.82% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 78.48% of total governmental activities revenue. Property tax revenue increased 13.09% from the prior year, due primarily to additional property tax revenue from millage levied for debt service, effective for tax collection (calendar) year 2013.

Charges for services and operating grants and contributions program revenues decreased 16.80% and 1.41%, respectively. Lower tuition revenue supporting instruction expenses and charges for services supporting food service operations contributed to the decrease in charges for services program revenues.

The table that follows shows the changes in net position of the governmental activities and the business-type activities for fiscal years 2013 and 2012. In accordance with GASB Statement No. 65, net position and interest and fiscal charges of the governmental activities for 2012 have been restated to exclude the capitalization and amortization of bond issuance costs. Further, revenues have been reclassified to disaggregate the net change in fair market value of investments from earnings on investments.

Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	Restated 2012	2013	2012	2013	Restated 2012
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,803,199	\$ 2,167,405	\$ 1,398,529	\$ 1,373,108	\$ 3,201,728	\$ 3,540,513
Operating grants and contributions	5,381,260	5,457,960	231,572	222,074	5,612,832	5,680,034
General revenues:						
Property taxes	11,159,197	9,867,652	-	-	11,159,197	9,867,652
Grants and entitlements, not restricted	16,379,955	16,332,377	-	-	16,379,955	16,332,377
Payments in lieu of taxes	251,084	315,784	-	-	251,084	315,784
Investment earnings	75,185	127,751	-	-	75,185	127,751
Net increase/decrease in fair market value of investments	(62,157)	3,445	-	-	(62,157)	3,445
Miscellaneous	103,438	228,443	-	-	103,438	228,443
Total revenues	<u>\$ 35,091,161</u>	<u>\$ 34,500,817</u>	<u>\$ 1,630,101</u>	<u>\$ 1,595,182</u>	<u>\$ 36,721,262</u>	<u>\$ 36,095,999</u>

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

Change in Net Position (Continued)

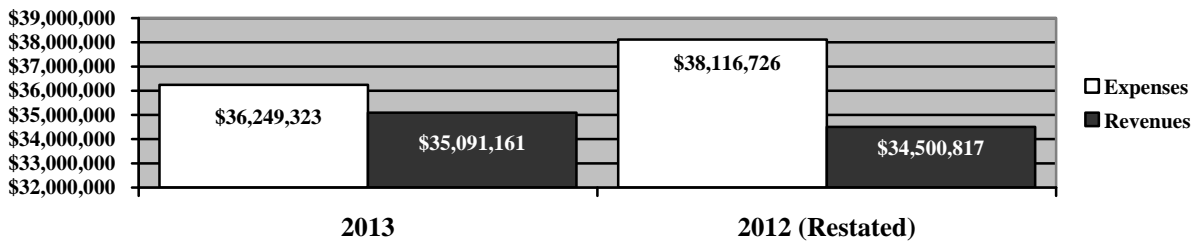
	Governmental Activities		Business-Type Activities		Total	
	2013	Restated 2012	2013	2012	2013	Restated 2012
Expenses						
Program expenses:						
Instruction:						
Regular	\$ 12,078,690	\$ 12,464,580	\$ -	\$ -	\$ 12,078,690	\$ 12,464,580
Special	3,714,736	3,625,553	-	-	3,714,736	3,625,553
Vocational	2,550,482	2,967,009	-	-	2,550,482	2,967,009
Adult/continuing	95,500	90,358	-	-	95,500	90,358
Other	2,799,621	2,719,438	-	-	2,799,621	2,719,438
Support services:						
Pupil	1,098,334	1,320,351	-	-	1,098,334	1,320,351
Instructional staff	1,884,065	1,985,779	-	-	1,884,065	1,985,779
Board of education	35,762	43,982	-	-	35,762	43,982
Administration	2,237,885	2,487,434	-	-	2,237,885	2,487,434
Fiscal	683,485	662,743	-	-	683,485	662,743
Business	71,506	72,654	-	-	71,506	72,654
Operations and maintenance	2,905,901	3,202,761	-	-	2,905,901	3,202,761
Pupil transportation	1,610,083	1,680,463	-	-	1,610,083	1,680,463
Central	291,885	259,350	-	-	291,885	259,350
Operation of non-instructional services:						
Food service operations	1,349,434	1,344,705	-	-	1,349,434	1,344,705
Other non-instructional services	475,423	458,328	-	-	475,423	458,328
Extracurricular activities	415,791	840,843	-	-	415,791	840,843
Interest and fiscal charges	1,950,740	1,890,395	-	-	1,950,740	1,890,395
Adult education	-	-	1,120,133	1,167,456	1,120,133	1,167,456
Preschool	-	-	444,075	519,284	444,075	519,284
Total expenses	<u>36,249,323</u>	<u>38,116,726</u>	<u>1,564,208</u>	<u>1,686,740</u>	<u>37,813,531</u>	<u>39,803,466</u>
Transfers	<u>(25,000)</u>	<u>(25,000)</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Changes in net position	(1,183,162)	(3,640,909)	90,893	(66,558)	(1,092,269)	(3,707,467)
Net position at beginning of year (restated)	<u>21,335,518</u>	<u>24,976,427</u>	<u>300,694</u>	<u>367,252</u>	<u>21,636,212</u>	<u>25,343,679</u>
Net position at end of year	<u>\$ 20,152,356</u>	<u>\$ 21,335,518</u>	<u>\$ 391,587</u>	<u>\$ 300,694</u>	<u>\$ 20,543,943</u>	<u>\$ 21,636,212</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012. Expenses for fiscal year 2012 have been restated to exclude the amortization of bond issuance costs; the capitalization and amortization of bond issuance costs has been eliminated due to the implementation of GASB Statement No. 65.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2013 and 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. For fiscal year 2012, the total and net costs of interest and fiscal charges have been restated to exclude the amortization of bond issuance costs in accordance with GASB Statement No. 65.

Governmental Activities

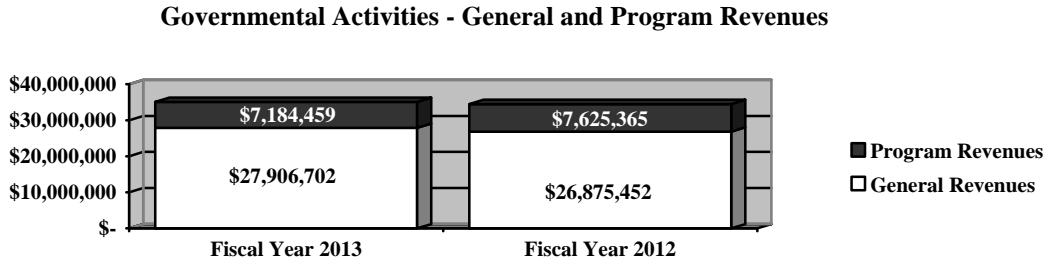
	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Restated Total Cost of Services <u>2012</u>	Restated Net Cost of Services <u>2012</u>
Program expenses:				
Instruction:				
Regular	\$ 12,078,690	\$ 10,730,039	\$ 12,464,580	\$ 10,874,554
Special	3,714,736	1,592,193	3,625,553	1,448,477
Vocational	2,550,482	1,911,130	2,967,009	2,316,569
Adult/continuing	95,500	4,003	90,358	4,155
Other	2,799,621	2,799,621	2,719,438	2,719,438
Support services:				
Pupil	1,098,334	1,014,758	1,320,351	1,216,567
Instructional staff	1,884,065	1,187,689	1,985,779	1,315,345
Board of education	35,762	35,762	43,982	43,982
Administration	2,237,885	2,201,770	2,487,434	2,367,595
Fiscal	683,485	683,485	662,743	662,743
Business	71,506	70,893	72,654	72,123
Operations and maintenance	2,905,901	2,902,466	3,202,761	3,187,001
Pupil transportation	1,610,083	1,458,369	1,680,463	1,542,032
Central	291,885	229,487	259,350	214,839
Operation of non-instructional services:				
Food service operations	1,349,434	1,753	1,344,705	(46,250)
Other non-instructional services	475,423	20,925	458,328	18,536
Extracurricular activities	415,791	269,781	840,843	643,260
Interest and fiscal charges	1,950,740	1,950,740	1,890,395	1,890,395
Total expenses	<u>\$ 36,249,323</u>	<u>\$ 29,064,864</u>	<u>\$ 38,116,726</u>	<u>\$ 30,491,361</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

The dependence upon tax revenues during fiscal year 2013 for governmental activities is apparent, as 80.22% of instruction activities are supported through taxes and other general revenues. In fiscal year 2013, 80.18% of total governmental activities program expenses were supported by general revenues. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio as a whole, are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.



Business-Type Activities

Business-type activities include adult education and the preschool. These programs had revenues of \$1,630,101, recognized expenses of \$1,564,208, and received transfers of \$25,000 during fiscal year 2013. The District's business-type activities receive no direct support from taxes.

The District's Funds

The District's governmental funds reported a combined fund balance of \$15,177,061, which is lower than last year's total balance of \$36,009,274. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and June 30, 2012.

	Fund Balance June 30, 2013	Fund Balance June 30, 2012	Increase (Decrease)
General	\$ 3,493,107	\$ 4,792,325	\$ (1,299,218)
Building	5,142,921	9,186,789	(4,043,868)
Classroom facilities	5,165,189	21,038,088	(15,872,899)
Nonmajor governmental	1,375,844	992,072	383,772
Total	\$ 15,177,061	\$ 36,009,274	\$ (20,832,213)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

General Fund

The District's general fund balance decreased \$1,299,218 during fiscal year 2013.

The table that follows assists in illustrating the financial activities and fund balance of the general fund. Revenues for the fiscal year ended June 30, 2012 have been reclassified to disaggregate the net increase in fair market value (FMV) of the District's investments during fiscal year 2012 to be reported separately from investment earnings.

	2013 Amount	Reclassified 2012 Amount	Increase (Decrease)	Percentage Change
Revenues				
Taxes	\$ 10,226,109	\$ 9,595,542	\$ 630,567	6.57 %
Tuition	1,133,389	1,411,419	(278,030)	(19.70) %
Transportation fees	29,666	17,690	11,976	67.70 %
Earnings on investments	38,026	57,659	(19,633)	(34.05) %
Net increase (decrease) in FMV of investments	(49,822)	3,445	(53,267)	(1,546.21) %
Other	314,125	458,601	(144,476)	(31.50) %
Payments in lieu of taxes	251,084	315,784	(64,700)	(20.49) %
Intergovernmental	17,210,338	17,217,749	(7,411)	(0.04) %
Total	\$ 29,152,915	\$ 29,077,889	\$ 75,026	0.26 %

Revenues of the general fund increased \$75,026 or 0.26% during fiscal year 2013. Taxes in the general fund increased \$630,567 or 6.57% due to higher collections during fiscal year 2013 and an increase in the amount of property taxes available as an advance from the Richland County Auditor at June 30, 2013. The amount of tax advances available from the County Auditor can vary depending upon when tax bills are distributed. Tuition revenue decreased 19.70% due to lower in revenues for open enrollment and funding through the state foundation for students with disabilities, while payments in lieu of taxes decreased 20.49% due to lower collections for tax abatements received by the District. Earnings on investments decreased \$19,633 or 34.05% due to changes in interest rates and the timing of maturity dates related to the District's depository accounts, and the District recognized a net decrease in the fair market value of its investments of \$49,822 during fiscal year 2013 as opposed to a \$3,445 net increase in the fair value of investment balances during 2012.

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

	2013 Amount	2012 Amount	Increase (Decrease)	Percentage Change
Expenditures				
Instruction	\$ 20,061,611	\$ 19,071,160	\$ 990,451	5.19 %
Support services	9,725,683	9,695,571	30,112	0.31 %
Extracurricular activities	437,086	440,147	(3,061)	(0.70) %
Facilities acquisition and construction	223,788	391,121	(167,333)	(42.78) %
Capital outlay	77,100	-	77,100	100.00 %
Debt service	10,439	-	10,439	100.00 %
Total	\$ 30,535,707	\$ 29,597,999	\$ 937,708	3.17 %

Expenditures of the general fund increased \$937,708 or 3.17%. Instruction expenditures increased \$990,451 or 5.19% and support services expenditures increased \$30,112 or 0.31%. The District also recognized capital outlay and debt service expenditures related to a capital lease agreement executed during the year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

Building Fund

The building fund had \$8,526 in revenues and \$4,052,394 in expenditures. The building fund's fund balance decreased \$4,043,868 from a balance of \$9,186,789 to \$5,142,921.

Classroom Facilities Fund

The classroom facilities fund had \$1,683,268 in revenues and other financing sources and \$17,556,167 in expenditures. The classroom facilities fund's fund balance decreased \$15,872,899 from a balance of \$21,038,088 to \$5,165,189.

Proprietary Funds

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

General Fund Budgeting Highlights

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

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

For the general fund, final budgeted revenues and other financing sources were \$28,035,311, which matched exactly to original budget estimates. Actual revenues and other financing sources were \$28,801,168, which is \$765,857 higher than final budgeted resources.

General fund original appropriations and other financing uses of \$30,432,677 were increased to \$30,482,246 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$30,482,246, which was equal to the final budgeted appropriations and other financing uses.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$29,839,608 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and construction in progress. Of this total, \$29,797,951 was reported in the governmental activities and \$41,657 was reported in the business-type activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

The following table shows June 30, 2013 balances compared to June 30, 2012.

	Capital Assets at June 30 (Net of Depreciation)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
Land	\$ 395,721	\$ 395,721	\$ -	\$ -	\$ 395,721	\$ 395,721
Land improvements	420,312	426,810	-	-	420,312	426,810
Building and improvements	1,511,637	1,623,372	-	-	1,511,637	1,623,372
Furniture and equipment	1,108,732	1,067,246	41,657	37,328	1,150,389	1,104,574
Vehicles	518,053	409,115	-	-	518,053	409,115
Construction in progress	25,843,496	4,354,389	-	-	25,843,496	4,354,389
Total	<u>\$ 29,797,951</u>	<u>\$ 8,276,653</u>	<u>\$ 41,657</u>	<u>\$ 37,328</u>	<u>\$ 29,839,608</u>	<u>\$ 8,313,981</u>

The increase in capital assets, net of depreciation, in the governmental activities of \$21,521,298 is attributable to current year additions of \$21,926,666, \$21,489,107 of which related to construction in progress, exceeding current year depreciation of \$325,583 and disposals during 2013 of various assets with a net book value totaling \$79,785.

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

Debt Administration

At June 30, 2013, the District had \$26,485,673 in general obligation bonds, capital appreciation bonds, accreted interest on capital appreciation bonds, and capital lease obligations outstanding. Of this balance, \$5,614 in capital lease obligations is reported among the business-type activities. Of total District's total long-term debt obligations, \$404,465 is due within one year.

The following table summarizes the bonds and accreted interest obligations outstanding at June 30, 2013 and June 30, 2012.

	Outstanding Debt, at Year End			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2013	2012	2013	2012
<i>General obligation bonds:</i>				
General obligation bonds	\$ 24,985,000	\$ 24,990,000	\$ -	\$ -
Capital appreciation bonds	810,138	810,138	-	-
Accreted interest	618,260	328,362	-	-
Total general obligation bonds	<u>26,413,398</u>	<u>26,128,500</u>	<u>-</u>	<u>-</u>
Capital lease obligation payable	<u>66,661</u>	<u>-</u>	<u>5,614</u>	<u>-</u>
Total governmental activities	<u>\$ 26,480,059</u>	<u>\$ 26,128,500</u>	<u>\$ 5,614</u>	<u>\$ -</u>

At June 30, 2013, the District's overall legal debt margin was \$3,561,973 and its unvoted debt margin was \$319,987. See Note 11 to the basic financial statements for additional information on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

Current Financial Related Activities

The District ended fiscal year 2012 with an unencumbered budgetary-basis balance of \$4,520,371 in the general fund. The District has been able to reduce staff and expenditures over the past five fiscal years to avoid a deficit situation, but began deficit spending in calendar year 2010. During the year, the District's total expenses exceeded revenues by \$1,035,273. A 6.9 mil operating levy that was renewed in May of 2007 was again put to the voters for renewal in 2012, and it was passed. Based on current assumptions, the District projects an unencumbered budgetary-basis balance of \$3,480,751 for fiscal year 2014 and \$3,358,728 for fiscal year 2015.

The District developed a strategic plan in 2008. The facilities portion of the plan suggested moving the ninth grade students to the high school for the 2008-2009 school year, which was accomplished. The school was also in line to receive funds through the Ohio School Facilities Commission (OSFC) program. The Board completed a year long process with the community on whether to build new facilities and accept the OSFC plan. The Board decided, based on the input from the community, to put a bond issue on the November 3, 2009 ballot asking for a 7 mil levy for the construction of a pre-kindergarten to eighth grade building and a ½ mil maintenance levy. The levy was defeated by a wide margin, so the Board went back to the community and revised the bond issue to build a fifth through eighth grade middle school building and put it on the ballot in May of 2010. The levy was defeated by 41 votes. The District then put the same issue back on the ballot at a special election in August of 2010. This time the issue passed by over 700 votes. The District is currently in the process of constructing a new 5-8 grade middle school building on the site of the Wooster Heights Elementary School. The Wooster Heights Elementary School was razed in the summer of 2011 and the new 5-8 grade middle school is projected to be completed by December of 2013. The 7th and 8th grade students will move into the new building on January 6, 2014, following the 2013-2014 winter recess. The 5th and 6th graders will relocate to the new building in August of 2014. Students in grades Kindergarten through 4th will remain at their current buildings through fiscal year 2015.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mrs. Robin Klenk, Treasurer of Madison Local School District, at 1379 Grace Street, Mansfield, Ohio, 44905-2742.

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and investments	\$ 22,058,036	\$ 451,150	\$ 22,509,186
Cash in segregated accounts	462,973	-	462,973
Receivables:			
Property taxes	13,080,884	-	13,080,884
Accounts	22,011	-	22,011
Intergovernmental	830,121	14,436	844,557
Accrued interest	14,339	-	14,339
Materials and supplies inventory	11,578	-	11,578
Internal balances	1,605	(1,605)	-
Capital assets:			
Nondepreciable capital assets	26,239,217	-	26,239,217
Depreciable capital assets, net	3,558,734	41,657	3,600,391
Capital assets, net	29,797,951	41,657	29,839,608
Total assets	<u>66,279,498</u>	<u>505,638</u>	<u>66,785,136</u>
Liabilities:			
Accounts payable	10,768	11,055	21,823
Contracts payable	1,800,199	-	1,800,199
Retainage payable	462,973	-	462,973
Accrued wages and benefits payable	2,800,825	48,778	2,849,603
Pension obligation payable	521,981	32,640	554,621
Intergovernmental payable	79,133	3,780	82,913
Accrued interest payable	145,591	132	145,723
Claims payable	627,000	-	627,000
Long-term liabilities:			
Due within one year	496,117	4,732	500,849
Due in more than one year	29,481,807	12,934	29,494,741
Total liabilities	<u>36,426,394</u>	<u>114,051</u>	<u>36,540,445</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	9,700,748	-	9,700,748
Total deferred inflows of resources	<u>9,700,748</u>	<u>-</u>	<u>9,700,748</u>
Net position:			
Net investment in capital assets	10,196,783	36,043	10,232,826
Restricted for:			
Capital projects	713,942	-	713,942
Classroom facilities maintenance	563,678	-	563,678
Locally funded programs	4,377	-	4,377
Federally funded programs	360	-	360
Student activities	69,108	-	69,108
Other purposes	292,876	-	292,876
Unrestricted	8,311,232	355,544	8,666,776
Total net position	<u>\$ 20,152,356</u>	<u>\$ 391,587</u>	<u>\$ 20,543,943</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 12,078,690	\$ 1,100,253	\$ 248,398
Special.	3,714,736	160,524	1,962,019
Vocational.	2,550,482	81,580	557,772
Adult/continuing.	95,500	-	91,497
Other	2,799,621	-	-
Support services:			
Pupil.	1,098,334	-	83,576
Instructional staff	1,884,065	182	696,194
Board of education.	35,762	-	-
Administration.	2,237,885	-	36,115
Fiscal	683,485	-	-
Business.	71,506	543	70
Operations and maintenance	2,905,901	3,435	-
Pupil transportation	1,610,083	29,666	122,048
Central.	291,885	-	62,398
Operation of non-instructional services:			
Food service operations	1,349,434	299,235	1,048,446
Other non-instructional services.	475,423	-	454,498
Extracurricular activities	415,791	127,781	18,229
Interest and fiscal charges.	1,950,740	-	-
Total governmental activities.	36,249,323	1,803,199	5,381,260
Business-type activities:			
Adult education.	1,120,133	976,860	198,321
Preschool.	444,075	421,669	33,251
Total business-type activities.	1,564,208	1,398,529	231,572
Totals	\$ 37,813,531	\$ 3,201,728	\$ 5,612,832

General revenues:

Property taxes levied for:
General purposes
Debt service.
Classroom facilities maintenance
Payments in lieu of taxes
Grants and entitlements not restricted to specific programs.
Investment earnings
Decrease in fair market value of investments.
Miscellaneous
Total general revenues.
Transfers.
Total general revenues and transfers
Change in net position
Net position at beginning of year (restated).
Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-Type Activities	Total
\$ (10,730,039)	\$ -	\$ (10,730,039)
(1,592,193)	-	(1,592,193)
(1,911,130)	-	(1,911,130)
(4,003)	-	(4,003)
(2,799,621)	-	(2,799,621)
(1,014,758)	-	(1,014,758)
(1,187,689)	-	(1,187,689)
(35,762)	-	(35,762)
(2,201,770)	-	(2,201,770)
(683,485)	-	(683,485)
(70,893)	-	(70,893)
(2,902,466)	-	(2,902,466)
(1,458,369)	-	(1,458,369)
(229,487)	-	(229,487)
(1,753)	-	(1,753)
(20,925)	-	(20,925)
(269,781)	-	(269,781)
(1,950,740)	-	(1,950,740)
(29,064,864)	-	(29,064,864)
-	55,048	55,048
-	10,845	10,845
-	65,893	65,893
(29,064,864)	65,893	(28,998,971)
10,065,572	-	10,065,572
962,867	-	962,867
130,758	-	130,758
251,084	-	251,084
16,379,955	-	16,379,955
75,185	-	75,185
(62,157)	-	(62,157)
103,438	-	103,438
27,906,702	-	27,906,702
(25,000)	25,000	-
27,881,702	25,000	27,906,702
(1,183,162)	90,893	(1,092,269)
21,335,518	300,694	21,636,212
\$ 20,152,356	\$ 391,587	\$ 20,543,943

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 4,651,410	\$ 5,572,750	\$ 6,516,081	\$ 1,446,945	\$ 18,187,186
Cash in segregated accounts	-	291,556	171,417	-	462,973
Receivables:					
Property taxes	11,242,996	-	-	1,837,888	13,080,884
Accounts	22,011	-	-	-	22,011
Intergovernmental	135,565	-	580,434	114,122	830,121
Accrued interest	8,308	2,805	3,226	-	14,339
Materials and supplies inventory	-	-	-	11,578	11,578
Total assets.	<u>\$ 16,060,290</u>	<u>\$ 5,867,111</u>	<u>\$ 7,271,158</u>	<u>\$ 3,410,533</u>	<u>\$ 32,609,092</u>
Liabilities:					
Accounts payable	\$ 10,768	\$ -	\$ -	\$ -	\$ 10,768
Contracts payable	-	431,226	1,368,973	-	1,800,199
Retainage payable	-	291,556	171,417	-	462,973
Accrued wages and benefits payable	2,521,588	-	-	279,237	2,800,825
Pension obligation payable	461,837	-	-	60,144	521,981
Intergovernmental payable	72,198	-	-	6,935	79,133
Total liabilities	<u>3,066,391</u>	<u>722,782</u>	<u>1,540,390</u>	<u>346,316</u>	<u>5,675,879</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	8,138,396	-	-	1,562,352	9,700,748
Delinquent property tax revenue not available	1,301,524	-	-	17,870	1,319,394
Accrued interest not available	3,177	1,408	1,619	-	6,204
Miscellaneous revenue not available	24,358	-	-	-	24,358
Intergovernmental revenue not available	33,337	-	563,960	108,151	705,448
Total deferred inflows of resources.	<u>9,500,792</u>	<u>1,408</u>	<u>565,579</u>	<u>1,688,373</u>	<u>11,756,152</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory	-	-	-	11,578	11,578
Restricted:					
Debt service	-	-	-	558,314	558,314
Capital improvements	-	5,142,921	5,165,189	-	10,308,110
Classroom facilities maintenance	-	-	-	545,808	545,808
Food service operations	-	-	-	312,140	312,140
Non-public schools	-	-	-	1,603	1,603
Targeted academic assistance	-	-	-	455	455
Vocational education	-	-	-	120	120
Extracurricular activities	-	-	-	69,108	69,108
Other purposes	-	-	-	8,930	8,930
Assigned:					
Student and staff support	50,449	-	-	-	50,449
School supplies	36,930	-	-	-	36,930
Subsequent year's appropriations	1,474,485	-	-	-	1,474,485
Other purposes	68,018	-	-	-	68,018
Unassigned (deficit)	1,863,225	-	-	(132,212)	1,731,013
Total fund balances	<u>3,493,107</u>	<u>5,142,921</u>	<u>5,165,189</u>	<u>1,375,844</u>	<u>15,177,061</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,060,290</u>	<u>\$ 5,867,111</u>	<u>\$ 7,271,158</u>	<u>\$ 3,410,533</u>	<u>\$ 32,609,092</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances		\$	15,177,061
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			29,797,951
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.			
Property taxes receivable	\$	1,319,394	
Accrued interest receivable		6,204	
Intergovernmental receivable		729,806	
Total		<u>2,055,404</u>	2,055,404
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund, including internal balances of \$1,605, are included in governmental activities on the statement of net position.			3,245,455
Unamortized premiums on bonds issued are not recognized in the funds.			(2,100,325)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(145,591)
Long-term liabilities, including compensated absences and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(26,413,398)	
Capital lease obligations		(66,661)	
Compensated absences		(1,397,540)	
Total		<u>(27,877,599)</u>	<u>(27,877,599)</u>
Net position of governmental activities		<u>\$</u>	<u>20,152,356</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 10,226,109	\$ -	\$ -	\$ 1,098,462	\$ 11,324,571
Tuition	1,133,389	-	-	-	1,133,389
Transportation fees	29,666	-	-	-	29,666
Earnings on investments	38,026	14,469	25,102	2,600	80,197
Decrease in fair market value of investments	(49,822)	(5,943)	(4,618)	(1,774)	(62,157)
Charges for services	-	-	-	299,235	299,235
Extracurricular	4,118	-	-	130,222	134,340
Classroom materials and fees	115,856	-	-	-	115,856
Rental income	3,435	-	-	-	3,435
Contributions and donations	-	-	-	29,738	29,738
Contract services	78,330	-	-	-	78,330
Payment in lieu of taxes	251,084	-	-	-	251,084
Other local revenues	112,386	-	-	5,961	118,347
Intergovernmental - state	17,130,454	-	1,660,738	664,617	19,455,809
Intergovernmental - federal	79,884	-	-	3,890,329	3,970,213
Total revenues	29,152,915	8,526	1,681,222	6,119,390	36,962,053
Expenditures:					
Current:					
Instruction:					
Regular	11,914,907	-	-	192,422	12,107,329
Special	2,920,802	-	-	774,194	3,694,996
Vocational	2,427,959	-	-	46,914	2,474,873
Adult/continuing	-	-	-	91,375	91,375
Other	2,797,943	-	-	-	2,797,943
Support services:					
Pupil	1,033,133	-	-	83,825	1,116,958
Instructional staff	1,165,348	-	-	712,218	1,877,566
Board of education	35,758	-	-	-	35,758
Administration	2,200,573	-	-	36,257	2,236,830
Fiscal	645,847	-	-	19,695	665,542
Business	79,567	-	-	579	80,146
Operations and maintenance	2,660,679	-	-	-	2,660,679
Pupil transportation	1,673,917	-	-	42,874	1,716,791
Central	230,861	-	-	62,315	293,176
Operation of non-instructional services:					
Food service operations	-	-	-	1,330,454	1,330,454
Other non-instructional services	-	-	-	470,848	470,848
Extracurricular activities	437,086	-	-	136,790	573,876
Facilities acquisition and construction	223,788	4,052,394	17,556,167	-	21,832,349
Capital outlay	77,100	-	-	-	77,100
Debt service:					
Principal retirement	10,439	-	-	5,000	15,439
Interest and fiscal charges	-	-	-	1,728,335	1,728,335
Total expenditures	30,535,707	4,052,394	17,556,167	5,734,095	57,878,363
Excess (deficiency) of revenues over (under) expenditures	(1,382,792)	(4,043,868)	(15,874,945)	385,295	(20,916,310)
Other financing sources (uses):					
Sale of assets	31,474	-	-	-	31,474
Transfers in	-	-	2,046	-	2,046
Transfers (out)	(25,000)	-	-	(2,046)	(27,046)
Proceeds from capital lease transaction	77,100	-	-	-	77,100
Total other financing sources (uses)	83,574	-	2,046	(2,046)	83,574
Net change in fund balances	(1,299,218)	(4,043,868)	(15,872,899)	383,249	(20,832,736)
Fund balances at beginning of year	4,792,325	9,186,789	21,038,088	992,072	36,009,274
Increase in reserve for inventory	-	-	-	523	523
Fund balances at end of year	\$ 3,493,107	\$ 5,142,921	\$ 5,165,189	\$ 1,375,844	\$ 15,177,061

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds \$ (20,832,736)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 21,926,666	
Current year depreciation	(325,583)	
Total		21,601,083

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (79,785)

Governmental funds report expenditures for inventory when purchased; however, in the statement of activities, an expense is reported when inventory is consumed. 523

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

Property taxes	(165,374)	
Earnings on investments	(4,667)	
Miscellaneous	(8,794)	
Intergovernmental	(1,700,851)	
Total		(1,879,686)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:

Bonds	5,000	
Capital leases	10,439	
Total		15,439

Issuances capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing as they increase liabilities on the statement of net position. (77,100)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Increase in accrued interest payable	(1,559)	
Accreted interest on capital appreciation bonds	(289,898)	
Amortization of bond premiums	69,052	
Total		(222,405)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 432,163

The internal service fund for self-insurance is not reported in the expenditures and related internal service fund revenues are eliminated. The net expense of the internal service fund is allocated among the governmental activities. (140,658)

Change in net position of governmental activities \$ (1,183,162)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 9,714,990	\$ 9,714,990	\$ 9,947,053	\$ 232,063
Tuition	1,447,000	1,447,000	1,128,333	(318,667)
Transportation fees.	17,000	17,000	25,975	8,975
Earnings on investments.	50,000	50,000	38,247	(11,753)
Classroom materials and fees	-	-	1,175	1,175
Rental income	3,500	3,500	3,435	(65)
Contributions and donations.	500	500	-	(500)
Contract services.	2,000	2,000	17,123	15,123
Payment in lieu of taxes	284,226	284,226	251,084	(33,142)
Other local revenues	89,500	89,500	54,351	(35,149)
Intergovernmental - state	16,416,095	16,416,095	17,135,565	719,470
Intergovernmental - federal	8,000	8,000	16,893	8,893
Total revenues.	<u>28,032,811</u>	<u>28,032,811</u>	<u>28,619,234</u>	<u>586,423</u>
Expenditures:				
Current:				
Instruction:				
Regular.	13,535,530	11,768,007	11,768,007	-
Special	2,471,405	2,932,318	2,932,318	-
Vocational	2,336,247	2,388,684	2,388,684	-
Other	2,668,382	2,800,170	2,800,170	-
Support services:				
Pupil	920,960	1,049,080	1,049,080	-
Instructional staff.	1,026,585	1,233,504	1,233,504	-
Board of education.	38,398	36,222	36,222	-
Administration	1,894,212	2,232,115	2,232,115	-
Fiscal	601,756	658,676	658,676	-
Business	58,583	79,638	79,638	-
Operations and maintenance	2,600,236	2,695,655	2,695,655	-
Pupil transportation.	1,258,855	1,691,603	1,691,603	-
Central	283,665	233,101	233,101	-
Extracurricular activities.	423,185	434,685	434,685	-
Facilities acquisition and construction	289,678	223,788	223,788	-
Total expenditures	<u>30,407,677</u>	<u>30,457,246</u>	<u>30,457,246</u>	<u>-</u>
Excess of expenditures over revenues.	<u>(2,374,866)</u>	<u>(2,424,435)</u>	<u>(1,838,012)</u>	<u>586,423</u>
Other financing sources (uses):				
Refund of prior year's expenditures	500	500	150,460	149,960
Transfers (out).	(25,000)	(25,000)	(25,000)	-
Sale of assets	2,000	2,000	31,474	29,474
Total other financing sources (uses)	<u>(22,500)</u>	<u>(22,500)</u>	<u>156,934</u>	<u>179,434</u>
Net change in fund balance	(2,397,366)	(2,446,935)	(1,681,078)	765,857
Fund balance at beginning of year	6,195,649	6,195,649	6,195,649	-
Prior year encumbrances appropriated	5,800	5,800	5,800	-
Fund balance at end of year	\$ 3,804,083	\$ 3,754,514	\$ 4,520,371	\$ 765,857

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Adult Education</u>	<u>Preschool</u>	<u>Total Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 354,595	\$ 96,555	\$ 451,150	\$ 3,870,850
Receivables:				
Intergovernmental	2,239	12,197	14,436	-
Total current assets	<u>356,834</u>	<u>108,752</u>	<u>465,586</u>	<u>3,870,850</u>
Noncurrent assets:				
Capital assets:				
Depreciable capital assets, net.	41,657	-	41,657	-
Total assets	<u>398,491</u>	<u>108,752</u>	<u>507,243</u>	<u>3,870,850</u>
Liabilities:				
Accounts payable	11,055	-	11,055	-
Accrued wages and benefits.	36,861	11,917	48,778	-
Compensated absences	2,295	925	3,220	-
Pension obligation payable	15,222	17,418	32,640	-
Intergovernmental payable	2,223	1,557	3,780	-
Capital lease payable	1,512	-	1,512	-
Claims payable	-	-	-	627,000
Accrued interest payable	132	-	132	-
Total current liabilities	<u>69,300</u>	<u>31,817</u>	<u>101,117</u>	<u>627,000</u>
Long-term liabilities:				
Compensated absences payable	8,832	-	8,832	-
Capital lease payable	4,102	-	4,102	-
Total long-term liabilities.	<u>12,934</u>	<u>-</u>	<u>12,934</u>	<u>-</u>
Total liabilities	<u>82,234</u>	<u>31,817</u>	<u>114,051</u>	<u>627,000</u>
Net position:				
Net investment in capital assets.	36,043	-	36,043	-
Unrestricted.	280,214	76,935	357,149	3,243,850
Total net position.	<u>\$ 316,257</u>	<u>\$ 76,935</u>	393,192	<u>\$ 3,243,850</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.			(1,605)	
Net position of business-type activities.			<u>\$ 391,587</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Adult Education	Preschool	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:				
Tuition and fees.	\$ 867,060	\$ 421,669	\$ 1,288,729	\$ -
Sales/charges for services	109,800	-	109,800	6,128,161
Total operating revenues.	<u>976,860</u>	<u>421,669</u>	<u>1,398,529</u>	<u>6,128,161</u>
Operating expenses:				
Personal services.	766,926	330,192	1,097,118	-
Purchased services.	111,721	60,909	172,630	797,948
Materials and supplies	235,624	46,419	282,043	-
Other	11,619	6,555	18,174	-
Claims	-	-	-	5,457,625
Depreciation	7,357	-	7,357	-
Total operating expenses.	<u>1,133,247</u>	<u>444,075</u>	<u>1,577,322</u>	<u>6,255,573</u>
Operating loss	<u>(156,387)</u>	<u>(22,406)</u>	<u>(178,793)</u>	<u>(127,412)</u>
Nonoperating revenues (expenses):				
Operating grants	198,321	33,251	231,572	-
Interest expense	(132)	-	(132)	-
Total nonoperating revenues (expenses).	<u>198,189</u>	<u>33,251</u>	<u>231,440</u>	<u>-</u>
Net income (loss) before transfers	41,802	10,845	52,647	(127,412)
Transfer in	25,000	-	25,000	-
Change in net position.	66,802	10,845	77,647	(127,412)
Net position at beginning of year	<u>249,455</u>	<u>66,090</u>		<u>3,371,262</u>
Net position at end of year	<u>\$ 316,257</u>	<u>\$ 76,935</u>		<u>\$ 3,243,850</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.			13,246	
Changes in net position of business-type activities.			<u>\$ 90,893</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Adult Education	Preschool	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:				
Cash received from tuition and fees	\$ 867,060	\$ 421,669	\$ 1,288,729	\$ -
Cash received from sales/charges for services.	109,800	-	109,800	6,128,176
Cash payments for personal services.	(778,666)	(342,698)	(1,121,364)	-
Cash payments for contractual services	(111,721)	(60,909)	(172,630)	(797,948)
Cash payments for materials and supplies	(235,624)	(46,419)	(282,043)	-
Cash payments for claims	-	-	-	(5,500,625)
Cash payments for other expenses	(564)	(6,555)	(7,119)	-
Net cash used in operating activities.	<u>(149,715)</u>	<u>(34,912)</u>	<u>(184,627)</u>	<u>(170,397)</u>
Cash flows from noncapital financing activities:				
Cash received from grants and subsidies.	198,321	24,290	222,611	-
Cash received from transfers in	25,000	-	25,000	-
Net cash provided by noncapital financing activities	<u>223,321</u>	<u>24,290</u>	<u>247,611</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(5,193)	-	(5,193)	-
Principal retirement on capital lease payable	(879)	-	(879)	-
Net cash used in capital and related financing activities.	<u>(6,072)</u>	<u>-</u>	<u>(6,072)</u>	<u>-</u>
Net increase (decrease) in cash and investments.	67,534	(10,622)	56,912	(170,397)
Cash and investments at beginning of year	287,061	107,177	394,238	4,041,247
Cash and investments at end of year	<u>\$ 354,595</u>	<u>\$ 96,555</u>	<u>\$ 451,150</u>	<u>\$ 3,870,850</u>
Reconciliation of operating loss to net cash used used in operating activities:				
Operating loss.	\$ (156,387)	\$ (22,406)	\$ (178,793)	\$ (127,412)
Adjustments:				
Depreciation.	7,357	-	7,357	-
Changes in assets and liabilities:				
Decrease in accounts receivable.	-	-	-	15
Increase in intergovernmental receivable	(2,239)	(1,493)	(3,732)	-
Increase in accounts payable	11,055	-	11,055	-
Increase (decrease) in accrued wages and benefits	7,228	(2,730)	4,498	-
Decrease in intergovernmental payable	(399)	(2,435)	(2,834)	-
Decrease in compensated absences payable.	(17,672)	(1,431)	(19,103)	-
Increase (decrease) in pension obligation payable	1,342	(4,417)	(3,075)	-
Decrease in claims payable	-	-	-	(43,000)
Net cash used in operating activities	<u>\$ (149,715)</u>	<u>\$ (34,912)</u>	<u>\$ (184,627)</u>	<u>\$ (170,397)</u>

Non-cash transaction:

During fiscal year 2013 the adult education fund acquired assets through capital lease the amount of \$6,493.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 12,973	\$ 39,535
Total assets.	12,973	\$ 39,535
Liabilities:		
Due to students	-	\$ 39,535
Total liabilities	-	\$ 39,535
Net position:		
Held in trust for scholarships	12,973	
Total net position	\$ 12,973	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2
Gifts and contributions	14,882
Total additions.	14,884
 Deductions:	
Scholarships awarded	6,624
Change in net position.	8,260
Net position at beginning of year	4,713
Net position at end of year.	\$ 12,973

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Madison Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by statute and further mandated by State and/or federal agencies. This Board controls the District's 6 instructional/support facilities staffed by 142 classified and 262 certified full-time teaching personnel, who provide services to 3,032 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Richland, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2013, the District paid \$178,681 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

INSURANCE PURCHASING POOL

Workers' Compensation Group Rating Program

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

Schools of Ohio Risk Sharing Authority

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

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

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

Building fund - The building fund is used to account for the receipts and expenditures related to all special bond funds in the District and to account for receipts and expenditures involved in the replacement or updating of equipment essential for the instruction of students. Expenditures recorded in this fund represent the costs of acquiring and improving capital facilities, including real property.

Classroom facilities fund - The classroom facilities fund is a capital projects fund provided to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

PROPRIETARY FUNDS

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

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

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

Preschool fund - This fund accounts for the financial transactions related to preschool operations of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows of resources on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

The District had no deferred outflows of resources at June 30, 2013.

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds except agency funds. The specific timetable for fiscal year 2013 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for each fund. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2013.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Although the legal level of control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2013.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level, which is the legal level of control.

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

F. Cash and Investments

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

During fiscal year 2013, investments were limited to federal agency securities, U.S. treasury bills, U.S. treasury notes, nonnegotiable certificates of deposit, and U.S. government money markets accounts. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$38,026, which includes \$18,266 assigned from other District funds.

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

G. Inventory

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

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of current resources.

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

H. Capital Assets

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

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

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

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land improvements	20 years	N/A
Buildings and improvements	20 - 50 years	N/A
Furniture and equipment	5 - 20 years	5 - 20 years
Vehicles	8 years	N/A

I. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

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

K. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

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

L. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations and special trusts.

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

M. Parochial Schools

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

N. Estimates

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

O. Bond Issuance Costs and Unamortized Bond Premiums

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 11.

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

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections - 2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 affected the District's financial statements to present property taxes levied for the subsequent fiscal year and receivable amounts on the governmental fund financial statements not available to finance current period expenditures as deferred inflows of resources, rather than as liabilities as previously reported, and to recognize debt issuance costs in the periods in which they are incurred rather than as an amortization over the term of the related debt issuance. The aforementioned items had the following effect on net position at July 1, 2012, as was previously reported on the government-wide financial statements:

	Governmental Activities	Total
Net assets as previously reported	\$ 21,769,523	\$ 22,070,217
Removal of unamortized bond issuance costs	(434,005)	(434,005)
Net position at July 1, 2012	\$ 21,335,518	\$ 21,636,212

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 154
Title VI-B	101,783
Title I	30,275

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year end, the District had \$950 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

B. Cash in Segregated Accounts

At fiscal year end, \$462,973 was on deposit with an escrow for retainage held as part of the District's construction contracts. This amount is included in the carrying amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

C. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$6,746,346. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2013, \$6,722,106 of the District's bank balance of \$7,222,106 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

D. Investments

As of June 30, 2013, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
U.S. government money market	\$ 417,681	\$ 417,681	\$ -	\$ -	\$ -	\$ -
FFCB	1,591,895	-	-	302,865	103,507	1,185,523
FHLB	8,513,396	6,771,289	950,257	-	-	791,850
FHLB - discount	1,984,601	1,984,601	-	-	-	-
FHLMC	301,781	-	101,225	-	-	200,556
FNMA	1,742,796	952,784	-	-	200,391	589,621
U.S. treasury bills	574,856	574,856	-	-	-	-
U.S. treasury notes	1,150,365	1,150,365	-	-	-	-
Total	\$ 16,277,371	\$ 11,851,576	\$ 1,051,482	\$ 302,865	\$ 303,898	\$ 2,767,550

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

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

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

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment types</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S. government money market	\$ 417,681	2.57
FFCB	1,591,895	9.78
FHLB	8,513,396	52.30
FHLB - discount	1,984,601	12.19
FHLMC	301,781	1.85
FNMA	1,742,796	10.71
U.S. treasury bills	574,856	3.53
U.S. treasury notes	<u>1,150,365</u>	<u>7.07</u>
Total	<u>\$ 16,277,371</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,746,346
Investments	16,277,371
Cash on hand	<u>950</u>
Total	<u>\$ 23,024,667</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 22,521,009
Business-type activities	451,150
Private-purpose trust funds	12,973
Agency funds	<u>39,535</u>
Total	<u>\$ 23,024,667</u>

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NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund statements:

<u>Transfer from general fund to:</u>	
Adult education enterprise fund	\$ 25,000
<u>Transfer from nonmajor governmental funds to:</u>	
Classroom facilities fund	<u>2,046</u>
Total	<u>\$ 27,046</u>

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

The transfer to the adult education enterprise fund was made to provide additional resources to the District's adult education program. The transfer to the classroom facilities fund was made from the debt service fund (a nonmajor governmental fund) to properly attribute capitalized interest to the classroom facilities fund.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Richland County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$1,803,076 in the general fund, \$236,597 in the debt service fund (a nonmajor governmental fund), and \$21,069 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$1,524,020 in the general fund and \$23,669 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 311,440,690	96.10	\$ 306,409,690	95.76
Public utility personal	<u>12,625,360</u>	<u>3.90</u>	<u>13,576,940</u>	<u>4.24</u>
Total	<u>\$ 324,066,050</u>	<u>100.00</u>	<u>\$ 319,986,630</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$60.90		\$65.40	

NOTE 7 – PAYMENT IN LIEU OF TAXES

The District has entered into tax incremental financing agreements with local companies. These companies were granted reductions or exemptions from property tax obligations to encourage economic development in the area; however, as part of these agreements, the companies make payments in lieu of taxes to the District to compensate the District for its portion of the reduction in property tax receipts. On the governmental fund financial statements, payment in lieu of taxes receipts totaled \$251,084 in the general fund during fiscal year 2013.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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NOTE 8 - RECEIVABLES

Receivables at June 30, 2013 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:

Property taxes	\$ 13,080,884
Accounts	22,011
Accrued interest	14,339
Intergovernmental	<u>830,121</u>
Total receivables	<u>\$ 13,947,355</u>

Business-type activities:

Intergovernmental	<u>\$ 14,436</u>
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Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2013 the District entered into a capitalized lease agreement for copier equipment. The lease agreement meets the criteria of capital leases. A capital lease generally is one which transfers benefits and risks of ownership to the lessee. In the governmental activities, capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements. These expenditures are reported as function expenditures on the budgetary statement. Capital lease payments will be made from the general fund and the adult education enterprise fund.

Capital assets consisting of copier equipment have been capitalized at the present value of the minimum lease payments at the time of acquisition. Corresponding liabilities are recorded in the government-wide financial statements and the proprietary fund statement of net position. Principal payments during fiscal year 2013 totaled \$10,439 paid from the general fund and \$879 paid from the adult education enterprise fund.

Assets acquired through the capital lease are as follows:

	Governmental Activities	Business-Type Activities
Equipment	\$ 77,100	\$ 6,493
Less: accumulated depreciation	<u>(4,377)</u>	<u>(365)</u>
Total	<u>\$ 72,723</u>	<u>\$ 6,128</u>

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

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of June 30, 2013:

Fiscal Year Ended June 30,	Governmental Activities	Business-Type Activities	Total
2014	\$ 20,879	\$ 1,758	\$ 22,637
2015	20,879	1,758	22,637
2016	20,878	1,758	22,636
2017	<u>10,440</u>	<u>879</u>	<u>11,319</u>
Total	73,076	6,153	79,229
Less: amount representing interest	<u>(6,415)</u>	<u>(539)</u>	<u>(6,954)</u>
Present value of net minimum lease payments	<u>\$ 66,661</u>	<u>\$ 5,614</u>	<u>\$ 72,275</u>

NOTE 10 - CAPITAL ASSETS

A. Governmental capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance 6/30/2012	Additions	Deductions	Balance 6/30/2013
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 395,721	\$ -	\$ -	\$ 395,721
Construction in progress	<u>4,354,389</u>	<u>21,489,107</u>	<u>-</u>	<u>25,843,496</u>
Total capital assets, not being depreciated	<u>4,750,110</u>	<u>21,489,107</u>	<u>-</u>	<u>26,239,217</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,034,357	42,235	(24,600)	1,051,992
Buildings/improvements	11,778,867	45,054	-	11,823,921
Furniture/equipment	3,348,257	170,071	(414,085)	3,104,243
Vehicles	<u>2,065,482</u>	<u>180,199</u>	<u>(129,070)</u>	<u>2,116,611</u>
Total capital assets, being depreciated	<u>18,226,963</u>	<u>437,559</u>	<u>(567,755)</u>	<u>18,096,767</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(607,547)	(27,208)	3,075	(631,680)
Buildings/improvements	(10,155,495)	(156,789)	-	(10,312,284)
Furniture/equipment	(2,281,011)	(86,331)	371,831	(1,995,511)
Vehicles	<u>(1,656,367)</u>	<u>(55,255)</u>	<u>113,064</u>	<u>(1,598,558)</u>
Total accumulated depreciation	<u>(14,700,420)</u>	<u>(325,583)</u>	<u>487,970</u>	<u>(14,538,033)</u>
Governmental activities capital assets, net	<u>\$ 8,276,653</u>	<u>\$21,601,083</u>	<u>\$ (79,785)</u>	<u>\$ 29,797,951</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 61,694
Special	5,365
Vocational	90,890
Adult/continuing	4,125
Support services:	
Pupil	2,029
Instructional staff	7,163
Administration	7,308
Operations and maintenance	47,018
Pupil transportation	50,518
Food service operations	10,075
Extracurricular activities	<u>39,398</u>
Total depreciation expense	<u>\$ 325,583</u>

B. Business-type capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance <u>6/30/2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/13</u>
Business-type activities:				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 72,958	\$ 11,686	\$ -	\$ 84,644
Less: accumulated depreciation	<u>(35,630)</u>	<u>(7,357)</u>	<u>-</u>	<u>(42,987)</u>
Business-type activities capital assets, net	<u>\$ 37,328</u>	<u>\$ 4,329</u>	<u>\$ -</u>	<u>\$ 41,657</u>

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

Adult Education	<u>\$ 7,357</u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2013, the following changes occurred in long-term obligations:

	Balance 6/30/12	Additions	Reductions	Balance 6/30/13	Amounts Due in One Year
Governmental activities:					
General obligation bonds - series 2010					
Current interest bonds	\$ 24,990,000	\$ -	\$ (5,000)	\$ 24,985,000	\$ 385,000
Capital appreciation bonds	810,138	-	-	810,138	-
Accreted interest	<u>328,362</u>	<u>289,898</u>	<u>-</u>	<u>618,260</u>	<u>-</u>
Total general obligation bonds	<u>26,128,500</u>	<u>289,898</u>	<u>(5,000)</u>	<u>26,413,398</u>	<u>385,000</u>
Capital lease obligation payable	-	77,100	(10,439)	66,661	17,953
Compensated absences payable	<u>1,867,889</u>	<u>138,363</u>	<u>(608,712)</u>	<u>1,397,540</u>	<u>93,164</u>
Total governmental activities long-term liabilities	<u>\$ 27,996,389</u>	<u>\$ 505,361</u>	<u>\$ (624,151)</u>	<u>27,877,599</u>	<u>\$ 496,117</u>
Unamortized premium on series 2010 general obligation bonds				<u>2,100,325</u>	
Total governmental activities as reported on statement of net position				<u>\$ 29,977,924</u>	
Business-type activities:					
Capital lease obligation payable	\$ -	\$ 6,493	\$ (879)	\$ 5,614	\$ 1,512
Compensated absences	<u>31,155</u>	<u>2,872</u>	<u>(21,975)</u>	<u>12,052</u>	<u>3,220</u>
Total business-type activities long-term liabilities	<u>\$ 31,155</u>	<u>\$ 9,365</u>	<u>\$ (22,854)</u>	<u>\$ 17,666</u>	<u>\$ 4,732</u>

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

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

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

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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The original issue was comprised of both current interest bonds, par value \$24,990,000, and capital appreciation bonds par value \$810,138. The interest rates on the current interest bonds range from 2.00%-7.30%. The capital appreciation bonds mature on December 1, 2014 (approximate initial offering yield to maturity 2.62%), December 1, 2015 (approximate initial offering yield to maturity 2.89%), December 1, 2016 (approximate initial offering yield to maturity 3.15%), December 1, 2017 (approximate initial offering yield to maturity 3.49%), December 1, 2018 (approximate initial offering yield to maturity 3.81%), December 1, 2019 (approximate initial offering yield to maturity 4.10%), December 1, 2020 (approximate initial offering yield to maturity 4.35%) and December 1, 2021 (approximate initial offering yield to maturity 4.55%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$4,115,000. Total accreted interest of \$618,260 for series 2010 has been included on the statement of net position at June 30, 2013.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2043. At June 30, 2013, the District had \$10,161,155 of unspent bond proceeds remaining on the bond issue. This amount and the District's net investment in capital assets excludes the effects of \$462,973 in retainage payable held in segregated accounts as of June 30, 2013.

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

Fiscal Year	Current Interest - Series 2010			Capital Appreciation - Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 385,000	\$ 1,724,435	\$ 2,109,435	\$ -	\$ -	\$ -
2015	-	1,720,585	1,720,585	165,471	244,529	410,000
2016	-	1,720,585	1,720,585	147,973	312,027	460,000
2017	-	1,720,585	1,720,585	123,067	356,933	480,000
2018	-	1,720,585	1,720,585	102,180	397,820	500,000
2019 - 2023	-	8,602,925	8,602,925	271,447	1,993,553	2,265,000
2024 - 2028	-	8,602,925	8,602,925	-	-	-
2029 - 2033	9,680,000	6,714,915	16,394,915	-	-	-
2034 - 2038	6,360,000	4,305,558	10,665,558	-	-	-
2039 - 2043	7,475,000	1,837,870	9,312,870	-	-	-
2044	<u>1,085,000</u>	<u>39,602</u>	<u>1,124,602</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 24,985,000</u>	<u>\$ 38,710,570</u>	<u>\$ 63,695,570</u>	<u>\$ 810,138</u>	<u>\$ 3,304,862</u>	<u>\$ 4,115,000</u>

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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year	Amounts Due	Amounts Deposited
2014	\$ -	\$ -
2015	-	-
2016	-	-
2017	-	-
2018	-	-
2019 - 2023	860,000	-
2024 - 2028	4,155,000	-
2029 - 2030	1,905,000	-
Total	<u>\$ 6,920,000</u>	<u>\$ -</u>

- D. The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$3,561,973 (including available funds of \$558,314) and an unvoted debt margin of \$319,987.

NOTE 12 - COMPENSATED ABSENCES

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

Administrators, teachers, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to 280 days. Upon retirement, full-time certified and classified employees receive a payment of 25% of their unused sick leave balance up to a maximum of 70 days.

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NOTE 13 - RISK MANAGEMENT

A. Comprehensive

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability: Each occurrence	SORSA	\$12,000,000	\$ 0
Property/Boiler and Machinery	SORSA	105,768,063	0
Automobile: Bodily Injury & Property Damage	SORSA	12,000,000	0

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

B. Health Care Self-Insurance Program

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

Certified employees receive hospital, surgical and major medical, dental, vision and prescription drug coverage. The total monthly cost was \$431.69 for single coverage and \$1,154.09 for family coverage for fiscal year 2013. The District paid 97% of single and 94% of family coverage.

Classified employees receive hospital, surgical and major medical, dental, vision and prescription drug coverage. Two plans are available for classified employees to choose from. The monthly cost of the indemnity plan is \$582.88 for single coverage and \$1,577.77 for family coverage for fiscal year 2013.

The claims liability of \$627,000 reported in the internal service fund at June 30, 2013, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*," as amended by GASB Statement No. 30, "*Risk Financing Omnibus*," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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NOTE 13 - RISK MANAGEMENT - (Continued)

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

Fiscal Year	Beginning of Year	Claims	Payments	End of Year
2013	\$ 670,000	\$ 5,457,625	\$ (5,500,625)	\$ 627,000
2012	541,000	5,748,074	(5,619,074)	670,000

C. Workers' Compensation Group Rating Plan

For fiscal year 2013, the District participated in a Workers' Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniServe, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$447,265, \$450,846, and \$428,857, respectively; 75.54 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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NOTE 14 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,787,824, \$1,856,946, and \$1,903,645, respectively; 82.72 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$57,493 made by the District and \$41,066 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income, and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated 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 according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$58,518, \$74,037, and \$107,481, respectively; 75.54 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$25,265, \$26,625, and \$27,598, respectively; 75.54 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$137,525, \$142,842, and \$146,434, respectively; 82.72 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

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NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,681,078)
Net adjustment for revenue accruals	309,098
Net adjustment for expenditure accruals	167,576
Net adjustment for other sources and uses	(73,360)
Funds budgeted elsewhere	(21,454)
GAAP basis	\$ (1,299,218)

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

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	Capital Improvements
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	517,250
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(481,297)
Excess qualified expenditures from prior years	-
Current year offsets	(161,000)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	\$ (125,047)
Balance carried forward to fiscal year 2014	\$ -
Set-aside balance June 30, 2013	\$ -

During fiscal year 2011, the District issued \$25,800,138 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition to zero in future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods. None of the \$25,800,138 in proceeds from the issuance had been used as offsets as of June 30, 2013.

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

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NOTE 19 - CONTRACTUAL COMMITMENTS

As a result of construction in progress at June 30, 2013, the District had the following outstanding contractual commitments at fiscal year end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Outstanding</u>
ABC Piping Co.	\$ 4,972,743	\$ 4,038,968	\$ 933,775
Advanced Industrial Roofing	1,576,728	1,145,936	430,792
Brewer-Garrett Co.	88,151	40,550	47,601
Burkett Restaurant Equipment	318,000	50,320	267,680
Cole Distributing, Inc.	20,000	12,391	7,609
Columbia Gas of Ohio	65,000	36,921	28,079
CTL Engineering, Inc.	146,422	78,546	67,876
Cuyahoga Fence LLC	69,700	59,170	10,530
Farnham Equipment Co.	587,707	13,551	574,156
Gandee and Associates	67,670	32,015	35,655
Garmann/Miller & Associates, Inc.	810,528	547,894	262,634
K.E. McCartney & Associates, Inc.	29,210	22,335	6,875
Key Blue Prints	80,000	45,276	34,724
Lawhon & Associates, Inc.	6,980	-	6,980
M. Space Holdings, LLC	485,611	354,139	131,472
M.T. Services, Inc.	5,000	2,712	2,288
Madison Water District	400,000	299,738	100,262
Mosser Construction, Inc.	13,435,836	10,102,879	3,332,957
Ohio Edison	23,500	13,064	10,436
Pac-Van, Inc.	29,770	21,265	8,505
Quandel Construction Group, Inc.	1,410,012	386,053	1,023,959
Safety Resources Co.	9,600	6,330	3,270
Schmidt Security Pro	25,000	4,719	20,281
Standard Plumbing and Heating	1,238,977	965,368	273,609
Vaughn Industries, LLC	3,789,732	2,275,771	1,513,961
Total	<u>\$ 29,691,877</u>	<u>\$ 20,555,911</u>	<u>\$ 9,135,966</u>

NOTE 20 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 25
Building	4,396,184
Classroom facilities	2,941,197
Total	<u>\$ 7,337,406</u>