

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

BASIC FINANCIAL STATEMENTS

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2011*

ROBIN KLENK, TREASURER

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Julian & Grube, Inc.
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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 fiscal year ended June 30, 2011. 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.

The management's discussion and analysis, on pages 3 through 14, is presented for purposes of additional analysis. Such information, although not a required 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. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

Julian & Grube, Inc.

November 12, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011. 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 2011 are as follows:

- In total, net assets increased \$10,590,816. Net assets of governmental activities increased \$10,544,688, which represents a 70.87% increase from fiscal year 2010. Net assets of business-type activities increased \$46,128 or 14.36% from fiscal year 2010.
- General revenues accounted for \$36,863,255 in revenue or 78.71% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9,969,878 or 21.29% of total governmental activities revenues of \$46,833,133.
- The District had \$36,263,445 in expenses related to governmental activities; only \$9,969,878 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 \$36,863,255 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, building fund and classroom facilities fund. The District restated fund balances at June 30, 2010 as described in Note 3.B to the basic financial statements. The general fund had \$29,397,658 in revenues and other financing sources and \$31,317,155 in expenditures and other financing uses. The general fund's fund balance decreased \$1,919,497 from \$7,256,932 to \$5,337,435.
- The building fund had \$7,663,231 in revenues and other financing sources and \$392,287 in expenditures. The building fund's fund balance increased to \$7,270,944.
- The classroom facilities fund had \$20,511,152 in revenues and other financing sources and \$588,290 in expenditures. The classroom facilities fund's fund balance increased to \$19,922,862.
- The District's two non-major enterprise funds are the adult education fund and the preschool fund. The adult education fund had \$1,220,625 in revenues and \$1,113,351 in expenses. The adult education fund also received transfers of \$25,000. The adult education fund's net assets increased \$132,274 from \$87,976 to \$220,250. The preschool fund had \$536,577 in revenues and \$625,844 in expenses. The preschool fund's net assets decreased \$89,267 from \$223,414 to \$134,147.

Using the Basic Financial Statements (BFS)

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 assets* 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, building fund and 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, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

Reporting the District as a Whole

Statement of Net Assets 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 we do financially during fiscal year 2011?" The statement of net assets and the statement of activities answer this question. These statements include all non fiduciary *assets, liabilities, revenues and expenses*, using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account 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 assets* and changes in those net assets. This change in net assets 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 assets 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 assets and statement of activities can be found on pages 15-17 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 an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets 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 18-22 of this report.

**MADISON LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 23-25 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 a private-purpose trust fund. 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 assets and changes in fiduciary net assets on pages 26 and 27. These activities are excluded from the District's other financial statements because the assets 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 28-59 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	Governmental Activities		Net Assets Business-Type Activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
<u>Assets</u>						
Current assets	\$ 62,027,396	\$ 25,614,209	\$ 448,991	\$ 397,379	\$ 62,476,387	\$ 26,011,588
Capital assets, net	4,882,301	3,929,907	38,275	32,224	4,920,576	3,962,131
Total assets	<u>66,909,697</u>	<u>29,544,116</u>	<u>487,266</u>	<u>429,603</u>	<u>67,396,963</u>	<u>29,973,719</u>
<u>Liabilities</u>						
Current liabilities	11,748,122	12,831,853	104,799	95,493	11,852,921	12,927,346
Long-term liabilities	<u>29,737,328</u>	<u>1,832,704</u>	<u>15,215</u>	<u>12,986</u>	<u>29,752,543</u>	<u>1,845,690</u>
Total liabilities	<u>41,485,450</u>	<u>14,664,557</u>	<u>120,014</u>	<u>108,479</u>	<u>41,605,464</u>	<u>14,773,036</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	2,251,585	3,929,907	38,275	32,224	2,289,860	3,962,131
Restricted	12,966,986	837,745	-	-	12,966,986	837,745
Unrestricted	<u>10,205,676</u>	<u>10,111,907</u>	<u>328,977</u>	<u>288,900</u>	<u>10,534,653</u>	<u>10,400,807</u>
Total net assets	<u>\$ 25,424,247</u>	<u>\$ 14,879,559</u>	<u>\$ 367,252</u>	<u>\$ 321,124</u>	<u>\$ 25,791,499</u>	<u>\$ 15,200,683</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

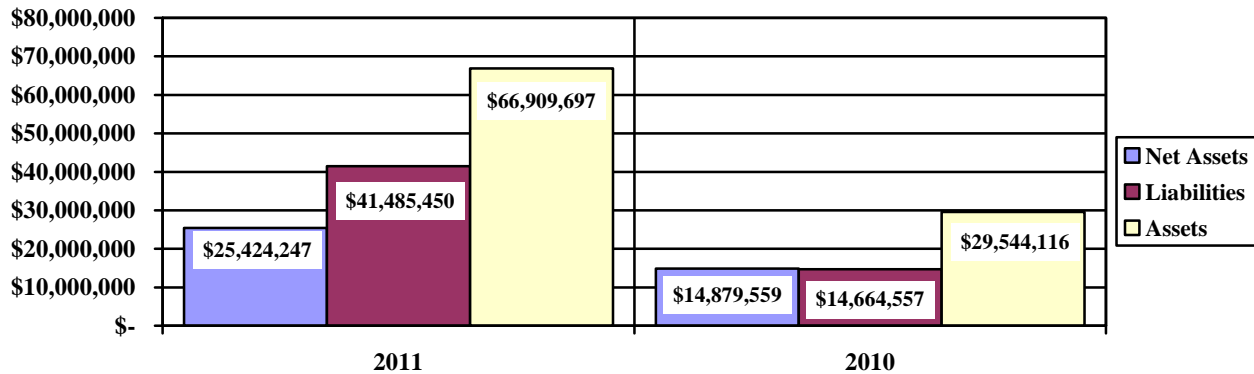
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$25,791,499. \$25,424,247 of this total is in governmental activities, and \$367,252 is in business-type activities. The overall increases in assets, liabilities and net assets are a result of the District's building construction project administered by the Ohio School Facilities Commission, which began in fiscal year 2011.

Capital assets reported on the government-wide statements represented 7.30% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$2,251,585 in the governmental activities. 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 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.

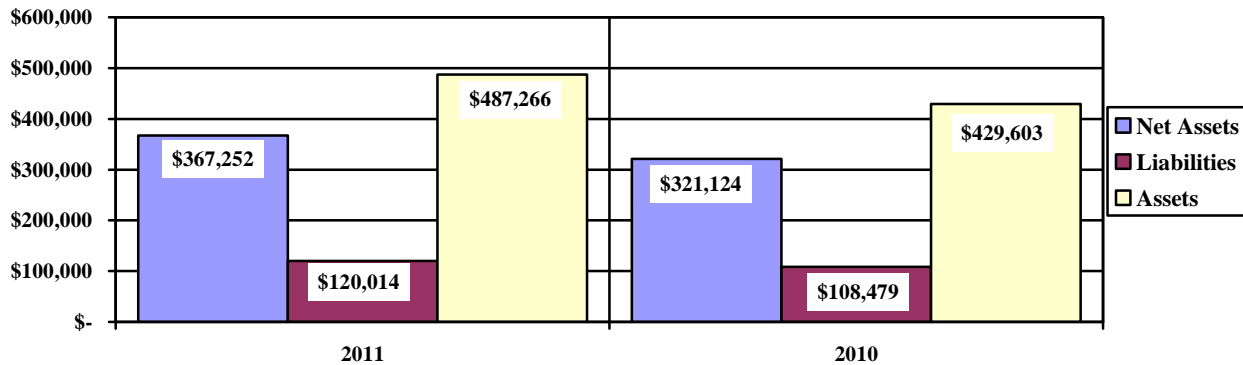
A portion of the District's net assets, \$12,966,986, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets is \$10,205,676.

The graphs below present the District's governmental and business-type net assets at June 30, 2011 and June 30, 2010.

Governmental - Net Assets



Business-Type - Net Assets



**MADISON LOCAL SCHOOL DISTRICT
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The table below shows the changes in net assets for governmental activities and business-type activities for fiscal years 2011 and 2010.

	Change in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 2,348,256	\$ 2,385,752	\$ 1,551,328	\$ 1,575,144	\$ 3,899,584	\$ 3,960,896
Operating grants and contributions	7,621,622	5,596,245	205,874	238,309	7,827,496	5,834,554
General revenues:						
Property taxes	9,529,492	10,071,786	-	-	9,529,492	10,071,786
Grants and entitlements, not restricted	15,608,625	16,297,115	-	-	15,608,625	16,297,115
Grants and entitlements, restricted	11,126,656	-	-	-	11,126,656	-
Payments in lieu of taxes	233,634	207,646	-	-	233,634	207,646
Investment earnings	156,974	194,311	-	-	156,974	194,311
Miscellaneous	207,874	80,690	-	-	207,874	80,690
Total revenues	<u>46,833,133</u>	<u>34,833,545</u>	<u>1,757,202</u>	<u>1,813,453</u>	<u>48,590,335</u>	<u>36,646,998</u>

The increase in operating grants and contributions in the governmental activities is attributable to monies received during fiscal year 2011 related to the Pathway to Student Success program, which is administered through the Ohio Department of Education and is reported as a operating grant and contribution revenue in fiscal year 2011 as opposed to a general revenue. The increase is also attributable to federal monies available during fiscal year 2011 related to the Education Jobs program. The District also recorded grant revenue that is restricted in relation to an Ohio School Facilities Commission building project, which began in fiscal year 2011.

**MADISON LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<u>Expenses</u>						
Program expenses:						
Instruction:						
Regular	\$ 12,316,213	\$ 12,006,897	\$ -	\$ -	\$ 12,316,213	\$ 12,006,897
Special	3,618,621	3,623,469	-	-	3,618,621	3,623,469
Vocational	3,093,681	3,235,064	-	-	3,093,681	3,235,064
Adult/continuing	82,658	65,005	-	-	82,658	65,005
Other	2,443,050	2,099,218	-	-	2,443,050	2,099,218
Support services:						
Pupil	1,310,623	1,332,138	-	-	1,310,623	1,332,138
Instructional staff	1,694,987	2,135,204	-	-	1,694,987	2,135,204
Board of education	54,943	37,308	-	-	54,943	37,308
Administration	2,692,062	2,353,551	-	-	2,692,062	2,353,551
Fiscal	570,406	740,201	-	-	570,406	740,201
Business	60,889	70,271	-	-	60,889	70,271
Operations and maintenance	3,078,466	3,133,209	-	-	3,078,466	3,133,209
Pupil transportation	1,524,751	1,459,190	-	-	1,524,751	1,459,190
Central	315,785	195,055	-	-	315,785	195,055
Operation of non-instructional services:						
Other non-instructional services	537,809	507,762	-	-	537,809	507,762
Food service operations	1,231,819	1,232,945	-	-	1,231,819	1,232,945
Extracurricular activities	565,680	664,215	-	-	565,680	664,215
Interest and fiscal charges	1,071,002	3,373	-	-	1,071,002	3,373
Adult education	-	-	1,110,235	1,290,477	1,110,235	1,290,477
Preschool	-	-	625,839	607,718	625,839	607,718
Total expenses	<u>36,263,445</u>	<u>34,894,075</u>	<u>1,736,074</u>	<u>1,898,195</u>	<u>37,999,519</u>	<u>36,792,270</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 assets	10,544,688	(85,530)	46,128	(59,742)	10,590,816	(145,272)
Net assets at beginning of year	<u>14,879,559</u>	<u>14,965,089</u>	<u>321,124</u>	<u>380,866</u>	<u>15,200,683</u>	<u>15,345,955</u>
Net assets at end of year	<u>\$ 25,424,247</u>	<u>\$ 14,879,559</u>	<u>\$ 367,252</u>	<u>\$ 321,124</u>	<u>\$ 25,791,499</u>	<u>\$ 15,200,683</u>

Governmental Activities

Net assets of the District's governmental activities increased \$10,544,688. Total governmental activities expenses of \$36,263,445 were offset by program revenues of \$9,969,878 and general revenues of \$36,863,255. Program revenues supported 27.49% of the total governmental expenses.

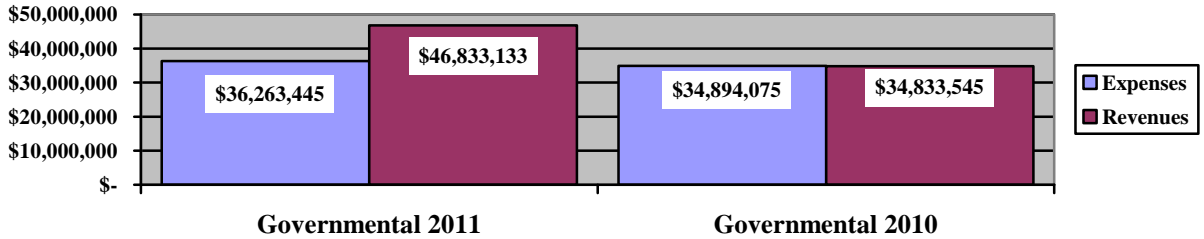
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements not restricted to specific programs. These two revenue sources represent 53.68% of total governmental revenue. Real estate property is reappraised every six years.

**MADISON LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

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 2011 and 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

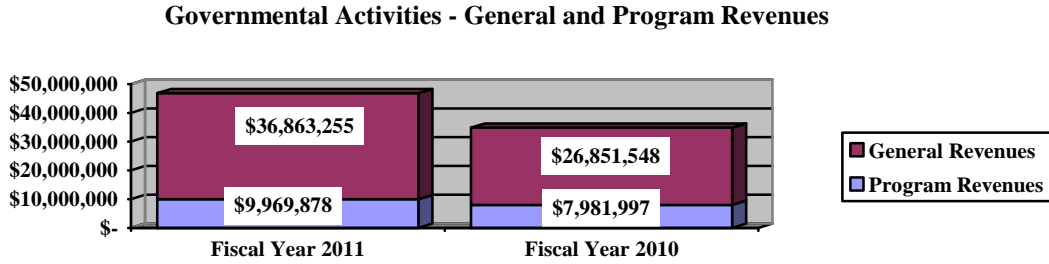
	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program expenses:				
Instruction:				
Regular	\$ 12,316,213	\$ 9,336,755	\$ 12,006,897	\$ 9,602,770
Special	3,618,621	1,120,915	3,623,469	2,397,135
Vocational	3,093,681	2,440,562	3,235,064	2,660,817
Adult/continuing	82,658	3,591	65,005	3,004
Other	2,443,050	2,302,716	2,099,218	2,037,606
Support services:				
Pupil	1,310,623	1,093,791	1,332,138	986,993
Instructional staff	1,694,987	852,293	2,135,204	1,477,346
Board of education	54,943	54,943	37,308	37,308
Administration	2,692,062	2,535,222	2,353,551	2,231,684
Fiscal	570,406	349,396	740,201	525,848
Business	60,889	60,308	70,271	69,815
Operations and maintenance	3,078,466	3,074,516	3,133,209	3,130,599
Pupil transportation	1,524,751	1,392,115	1,459,190	1,283,455
Central	315,785	263,156	195,055	133,579
Operation of non-instructional services:				
Other non-instructional services	537,809	89,468	507,762	(83,987)
Food service operations	1,231,819	(157,258)	1,232,945	(126,921)
Extracurricular activities	565,680	410,076	664,215	541,654
Interest and fiscal charges	<u>1,071,002</u>	<u>1,071,002</u>	<u>3,373</u>	<u>3,373</u>
Total expenses	<u>\$ 36,263,445</u>	<u>\$ 26,293,567</u>	<u>\$ 34,894,075</u>	<u>\$ 26,912,078</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

The dependence upon tax revenues during fiscal year 2011 for governmental activities is apparent, as 70.54% of instruction activities are supported through taxes and other general revenues. In fiscal year 2011, 72.51% of program expenses were supported by governmental activities 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 2011 and 2010.



Business-Type Activities

Business-type activities include adult education and the preschool. These programs had revenues of \$1,757,202 and expenses of \$1,736,074 for fiscal year 2011. The District's business-type activities receive no support from tax revenues.

The District's Funds

The District's governmental funds reported a combined fund balance of \$34,156,478, which is greater than last year's total restated balance of \$6,972,539 (as described in Note 3.B). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and June 30, 2010.

	Fund Balance (Deficit) <u>June 30, 2011</u>	(Restated) Fund Balance (Deficit) <u>June 30, 2010</u>	Increase/ (Decrease)
General	\$ 5,337,435	\$ 7,256,932	\$ (1,919,497)
Building	7,270,944	-	7,270,944
Classroom Facilities	19,922,862	-	19,922,862
Other governmental	<u>1,625,237</u>	<u>(284,393)</u>	<u>1,909,630</u>
Total	<u>\$ 34,156,478</u>	<u>\$ 6,972,539</u>	<u>\$ 27,183,939</u>

General Fund

The District's general fund balance decreased \$1,919,497 during fiscal year 2011.

**MADISON LOCAL SCHOOL DISTRICT
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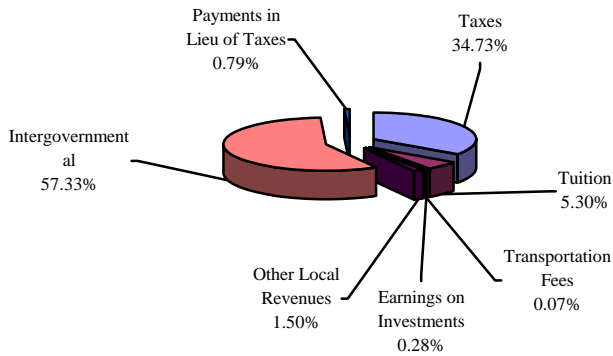
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

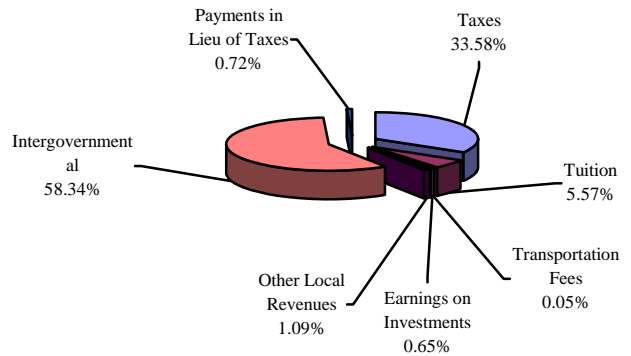
<u>Revenues</u>	2011 <u>Amount</u>	(Restated) 2010 <u>Amount</u>	Increase/ <u>(Decrease)</u>
Taxes	\$ 10,198,545	\$ 9,710,687	5.02 %
Tuition	1,555,383	1,611,991	(3.51) %
Transportation fees	20,140	15,111	33.28 %
Earnings on investments	81,603	186,535	(56.25) %
Other local revenues	440,045	315,775	39.35 %
Payments in lieu of taxes	233,634	207,646	12.52 %
Intergovernmental	<u>16,837,946</u>	<u>16,868,794</u>	(0.18) %
Total	<u>\$ 29,367,296</u>	<u>\$ 28,916,539</u>	1.56 %

Revenues of the general fund increased \$450,757 or 1.56% during fiscal year 2011. Taxes increased \$487,858 or 5.02% mainly due an increase in the amount of tax advance that was available to the District from the County Auditor at the end of fiscal year 2011. The amount of tax advances available from the County Auditor can vary depending upon when tax bills are mailed. Earnings on investments decreased \$104,932 or 56.25% due to declining interest rates. All other revenue remained comparable to fiscal year 2010.

Revenues - Fiscal Year 2011



Revenues - Fiscal Year 2010



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

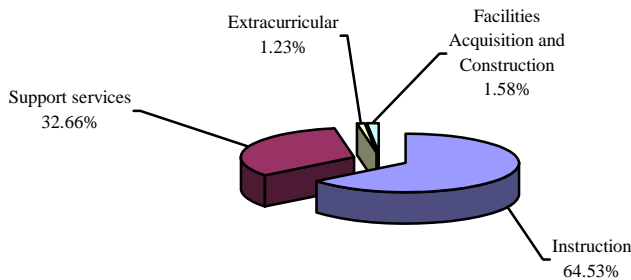
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

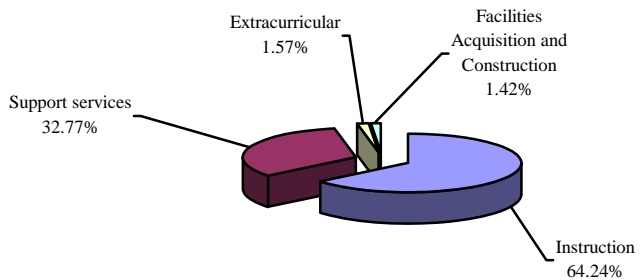
<u>Expenditures</u>	2011 <u>Amount</u>	(Restated) 2010 <u>Amount</u>	<u>Increase/ (Decrease)</u>
Instruction	\$ 20,190,463	\$ 19,292,312	4.66 %
Support services	10,220,820	9,840,459	3.87 %
Extracurricular activities	385,433	472,143	(18.37) %
Facilities acquisition and construction	495,439	426,884	16.06 %
Total	<u>\$ 31,292,155</u>	<u>\$ 30,031,798</u>	4.20 %

Expenditures of the general fund increased \$1,260,357 or 4.20%. The most significant increases were in the areas of instruction expenditures and support services expenditures. Instruction expenditures increased \$898,151 or 4.66% and support services expenditures increased \$380,361 or 3.87%. These minimal increases are an indication of the District's effort to remain fiscally responsible during difficult economic times.

Expenditures - Fiscal Year 2011



Expenditures - Fiscal Year 2010



Building Fund

The building fund had \$7,663,231 in revenues and other financing sources and \$392,287 in expenditures. The building fund's fund balance increased to \$7,270,944.

Classroom Facilities Fund

The classroom facilities fund had \$20,511,152 in revenues and other financing sources and \$588,290 in expenditures. The classroom facilities fund's fund balance increased to \$19,922,862.

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 and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

For the general fund, final budgeted revenues and other financing sources were \$28,355,071, which matched exactly to original budget estimates. Actual revenues and other financing sources were \$28,982,789, which is \$627,718 more than final budget amounts.

General fund original appropriations and other financing uses of \$31,178,745 matched exactly to the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$31,012,382, which was \$166,363 less than the final budget appropriations and other financing uses.

Capital Assets and Debt Administration

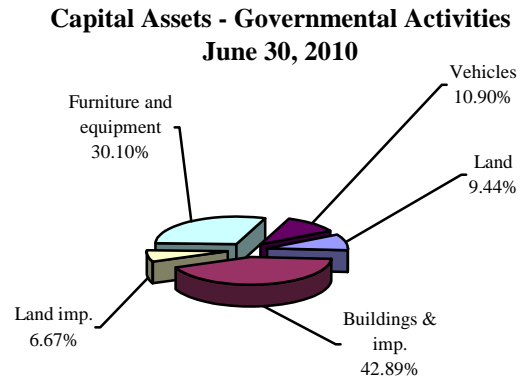
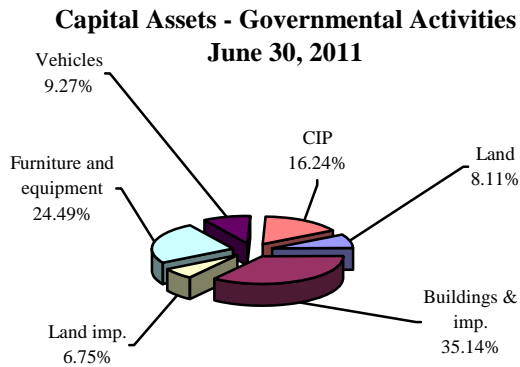
Capital Assets

At the end of fiscal year 2011, the District had \$4,920,576 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Of this total, \$4,882,301 was reported in governmental activities and \$38,275 was reported in business-type activities. The following table shows June 30, 2011 balances compared to June 30, 2010.

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2009</u>
Land	\$ 395,721	\$ 371,039	\$ -	\$ -	\$ 395,721	\$ 371,039
Land improvements	329,679	262,266	-	-	329,679	262,266
Building and improvements	1,716,143	1,685,251	-	-	1,716,143	1,685,251
Furniture and equipment	1,195,654	1,182,934	38,275	32,224	1,233,929	1,215,158
Vehicles	452,420	428,417	-	-	452,420	428,417
Construction in progress	792,684	-	-	-	792,684	-
Total	\$ 4,882,301	\$ 3,929,907	\$ 38,275	\$ 32,224	\$ 4,920,576	\$ 3,962,131

The following graphs show the breakdown of governmental activities capital assets by category at June 30, 2011 and June 30, 2010.



See Note 8 to the basic financial statements for additional information on the District's capital assets.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

Debt Administration

At June 30, 2011, the District had \$25,897,438 in general obligation bonds, capital appreciation bonds and accreted interest obligations outstanding. This entire balance is due in more than one year.

The following table summarizes the bonds and accreted interest obligations outstanding at June 30, 2011 and June 30, 2010.

Outstanding Debt, at Year End

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
General obligation bonds	\$ 24,990,000	\$ -
Capital appreciation bonds	810,138	-
Accreted interest	<u>97,300</u>	<u>-</u>
Total	<u>\$ 25,897,438</u>	<u>\$ -</u>

At June 30, 2011, the District's overall legal debt margin was \$6,409,240, with an unvoted debt margin of \$342,620.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District ended fiscal year 2011 with an unreserved cash-basis balance of \$6,504,212. 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 spent \$2,028,951 more than it received. A 6.9 mil operating levy that was renewed in May of 2007 will again be up for renewal in 2012. Based on the assumptions at this time, the District projects an unreserved balance of \$4,757,035 for fiscal year 2012 and \$688,363 for fiscal year 2013.

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 January of 2014.

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 ASSETS
JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and investments	\$ 41,384,666	\$ 429,637	\$ 41,814,303
Receivables:			
Taxes	10,325,867	-	10,325,867
Accounts	1,593	-	1,593
Intergovernmental	9,844,561	6,499	9,851,060
Accrued interest	22,369	-	22,369
Materials and supplies inventory	13,375	-	13,375
Unamortized bond issuance costs	447,820	-	447,820
Internal balances	(12,855)	12,855	-
Capital assets:			
Land and construction in progress	1,188,405	-	1,188,405
Depreciable capital assets, net	3,693,896	38,275	3,732,171
Total capital assets, net	<u>4,882,301</u>	<u>38,275</u>	<u>4,920,576</u>
Total assets	<u>66,909,697</u>	<u>487,266</u>	<u>67,396,963</u>
Liabilities:			
Accounts payable	26	-	26
Contracts payable	271,242	-	271,242
Accrued wages and benefits	2,890,275	55,442	2,945,717
Pension obligation payable	649,868	41,652	691,520
Intergovernmental payable	138,950	7,705	146,655
Accrued interest payable	144,032	-	144,032
Claims payable	541,000	-	541,000
Unearned revenue	7,112,729	-	7,112,729
Long-term liabilities:			
Due within one year	264,584	6,972	271,556
Due in more than one year	29,472,744	8,243	29,480,987
Total liabilities	<u>41,485,450</u>	<u>120,014</u>	<u>41,605,464</u>
Net Assets:			
Invested in capital assets, net			
of related debt	2,251,585	38,275	2,289,860
Restricted for:			
Capital projects	10,618,221	-	10,618,221
Debt service	1,230,130	-	1,230,130
Classroom facilities maintenance	197,763	-	197,763
Locally funded programs	10,367	-	10,367
Federally funded programs	678,418	-	678,418
Student activities	38,435	-	38,435
Other purposes	193,652	-	193,652
Unrestricted	<u>10,205,676</u>	<u>328,977</u>	<u>10,534,653</u>
Total net assets	<u>\$ 25,424,247</u>	<u>\$ 367,252</u>	<u>\$ 25,791,499</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, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 12,316,213	\$ 1,512,677	\$ 1,466,781
Special	3,618,621	179,811	2,317,895
Vocational	3,093,681	93,706	559,413
Adult/continuing	82,658	-	79,067
Other	2,443,050	-	140,334
Support services:			
Pupil	1,310,623	-	216,832
Instructional staff	1,694,987	91	842,603
Board of education	54,943	-	-
Administration	2,692,062	-	156,840
Fiscal	570,406	-	221,010
Business	60,889	511	70
Operations and maintenance	3,078,466	3,950	-
Pupil transportation	1,524,751	20,140	112,496
Central	315,785	-	52,629
Operation of non-instructional services:			
Other non-instructional services	537,809	-	448,341
Food service operations	1,231,819	402,085	986,992
Extracurricular activities	565,680	135,285	20,319
Interest and fiscal charges	1,071,002	-	-
Total governmental activities	36,263,445	2,348,256	7,621,622
Business-type activities:			
Adult education	1,110,235	1,063,744	156,881
Preschool	625,839	487,584	48,993
Total business-type activities	1,736,074	1,551,328	205,874
Totals	\$ 37,999,519	\$ 3,899,584	\$ 7,827,496

General Revenues:

Property taxes levied for:
General fund
Special revenue
Grants and entitlements not restricted to specific programs
Grants and entitlements restricted for:
Ohio School Facilities Commission
Payments in lieu of taxes
Investment earnings
Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-Type Activities	Total
\$ (9,336,755)	\$ -	\$ (9,336,755)
(1,120,915)	-	(1,120,915)
(2,440,562)	-	(2,440,562)
(3,591)	-	(3,591)
(2,302,716)	-	(2,302,716)
(1,093,791)	-	(1,093,791)
(852,293)	-	(852,293)
(54,943)	-	(54,943)
(2,535,222)	-	(2,535,222)
(349,396)	-	(349,396)
(60,308)	-	(60,308)
(3,074,516)	-	(3,074,516)
(1,392,115)	-	(1,392,115)
(263,156)	-	(263,156)
(89,468)	-	(89,468)
157,258	-	157,258
(410,076)	-	(410,076)
(1,071,002)	-	(1,071,002)
(26,293,567)	-	(26,293,567)
-	110,390	110,390
-	(89,262)	(89,262)
-	21,128	21,128
(26,293,567)	21,128	(26,272,439)
9,395,775	-	9,395,775
133,717	-	133,717
15,608,625	-	15,608,625
11,126,656	-	11,126,656
233,634	-	233,634
156,974	-	156,974
207,874	-	207,874
36,863,255	-	36,863,255
(25,000)	25,000	-
36,838,255	25,000	36,863,255
10,544,688	46,128	10,590,816
14,879,559	321,124	15,200,683
\$ 25,424,247	\$ 367,252	\$ 25,791,499

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 6,946,527	\$ 7,462,660	\$ 19,999,509	\$ 1,837,488	\$ 36,246,184
Receivables:					
Taxes.	10,169,968	-	-	155,899	10,325,867
Accounts	318	-	825	439	1,582
Intergovernmental.	-	-	8,825,402	1,019,159	9,844,561
Accrued interest	12,880	3,568	5,350	571	22,369
Materials and supplies inventory.	-	-	-	13,375	13,375
Total assets	<u>\$ 17,129,693</u>	<u>\$ 7,466,228</u>	<u>\$ 28,831,086</u>	<u>\$ 3,026,931</u>	<u>\$ 56,453,938</u>
Liabilities:					
Accounts payable	\$ 26	\$ -	\$ -	\$ -	\$ 26
Contracts payable.	-	192,538	78,704	-	271,242
Accrued wages and benefits.	2,579,696	-	-	310,579	2,890,275
Compensated absences payable	168,029	-	-	-	168,029
Pension obligation payable	577,853	-	-	72,015	649,868
Intergovernmental payable	126,013	-	-	12,937	138,950
Deferred revenue	1,335,300	2,746	8,829,520	898,775	11,066,341
Unearned revenue.	7,005,341	-	-	107,388	7,112,729
Total liabilities.	<u>11,792,258</u>	<u>195,284</u>	<u>8,908,224</u>	<u>1,401,694</u>	<u>22,297,460</u>
Fund Balances:					
Nonspendable:					
Materials and supplies inventory.	-	-	-	13,375	13,375
Restricted:					
Debt service	-	-	-	1,373,591	1,373,591
Capital improvements	-	7,270,944	19,922,862	-	27,193,806
Classroom facilities maintenance	-	-	-	177,361	177,361
Food service operations	-	-	-	207,032	207,032
Non-public schools	-	-	-	3,229	3,229
Special education	-	-	-	264	264
Targeted academic assistance	-	-	-	377	377
Extracurricular.	-	-	-	38,435	38,435
Other purposes.	-	-	-	14,710	14,710
Assigned:					
Student and staff support.	70,497	-	-	-	70,497
Facilities acquisition and construction	3,000	-	-	-	3,000
School supplies	50,271	-	-	-	50,271
Other purposes.	68,209	-	-	-	68,209
Unassigned (deficit)	5,145,458	-	-	(203,137)	4,942,321
Total fund balances	<u>5,337,435</u>	<u>7,270,944</u>	<u>19,922,862</u>	<u>1,625,237</u>	<u>34,156,478</u>
Total liabilities and fund balances	<u>\$ 17,129,693</u>	<u>\$ 7,466,228</u>	<u>\$ 28,831,086</u>	<u>\$ 3,026,931</u>	<u>\$ 56,453,938</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances		\$	34,156,478
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,882,301
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	1,351,335	
Accrued interest receivable		11,802	
Intergovernmental receivable		<u>9,703,204</u>	
Total			11,066,341
Unamortized premiums on bond issuances are not recognized in the funds.			(2,238,429)
Unamortized bond issuance costs are not recognized in the funds.			447,820
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. The net assets of the internal service fund, including internal balances of \$12,855, are:			
			4,584,638
Long-term liabilities, such as compensated absences payable and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(25,897,438)	
Compensated absences payable		(1,433,432)	
Accrued interest payable		<u>(144,032)</u>	
Total			<u>(27,474,902)</u>
Net assets of governmental activities		\$	<u>25,424,247</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, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 10,198,545	\$ -	\$ -	\$ 113,315	\$ 10,311,860
Tuition	1,555,383	-	-	-	1,555,383
Transportation fees	20,140	-	-	-	20,140
Charges for services	-	-	-	397,253	397,253
Earnings on investments	81,603	27,584	45,407	4,736	159,330
Extracurricular	2,871	-	-	133,435	136,306
Classroom materials and fees	112,454	-	-	-	112,454
Rental income	3,950	-	-	-	3,950
Contributions and donations	2,500	-	-	42,324	44,824
Contract services	100,459	-	-	-	100,459
Other local revenues	217,811	-	-	9,874	227,685
Payments in lieu of taxes	233,634	-	-	-	233,634
Intergovernmental - state	16,827,115	-	2,301,254	619,173	19,747,542
Intergovernmental - federal	10,831	-	-	4,906,949	4,917,780
Total revenues	<u>29,367,296</u>	<u>27,584</u>	<u>2,346,661</u>	<u>6,227,059</u>	<u>37,968,600</u>
Expenditures:					
Current:					
Instruction:					
Regular	12,128,858	-	-	722,068	12,850,926
Special	2,682,527	-	-	1,056,069	3,738,596
Vocational	3,057,493	-	-	48,441	3,105,934
Adult/continuing	-	-	-	79,054	79,054
Other	2,321,585	-	-	127,611	2,449,196
Support services:					
Pupil	1,155,581	-	-	175,117	1,330,698
Instructional staff	1,068,028	-	-	706,885	1,774,913
Board of education	54,943	-	-	-	54,943
Administration	2,744,376	-	-	125,300	2,869,676
Fiscal	380,017	-	-	202,851	582,868
Business	60,345	-	-	544	60,889
Operations and maintenance	2,975,090	-	-	-	2,975,090
Pupil transportation	1,519,276	-	-	32,571	1,551,847
Central	263,164	-	-	52,621	315,785
Operation of non-instructional services:					
Other non-instructional services	-	-	-	544,838	544,838
Food service operations	-	-	-	1,257,838	1,257,838
Extracurricular activities	385,433	-	-	145,332	530,765
Facilities acquisition and construction	495,439	392,287	588,290	-	1,476,016
Debt service:					
Interest and fiscal charges	-	-	-	864,193	864,193
Bond issuance costs	-	-	-	456,454	456,454
Total expenditures	<u>31,292,155</u>	<u>392,287</u>	<u>588,290</u>	<u>6,597,787</u>	<u>38,870,519</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,924,859)</u>	<u>(364,703)</u>	<u>1,758,371</u>	<u>(370,728)</u>	<u>(901,919)</u>
Other financing sources (uses):					
Sale of bonds	-	7,635,647	18,164,491	-	25,800,138
Premium on bonds sold	-	-	-	2,281,586	2,281,586
Sale of assets	30,362	-	-	-	30,362
Transfers (out)	(25,000)	-	-	-	(25,000)
Total other financing sources (uses)	<u>5,362</u>	<u>7,635,647</u>	<u>18,164,491</u>	<u>2,281,586</u>	<u>28,087,086</u>
Net change in fund balances	<u>(1,919,497)</u>	<u>7,270,944</u>	<u>19,922,862</u>	<u>1,910,858</u>	<u>27,185,167</u>
Fund balances (deficit) at beginning of year (restated)	<u>7,256,932</u>	<u>-</u>	<u>-</u>	<u>(284,393)</u>	<u>6,972,539</u>
Decrease in reserve for inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,228)</u>	<u>(1,228)</u>
Fund balances at end of year	<u>\$ 5,337,435</u>	<u>\$ 7,270,944</u>	<u>\$ 19,922,862</u>	<u>\$ 1,625,237</u>	<u>\$ 34,156,478</u>

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 YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds		\$ 27,185,167
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 1,315,541	
Current year depreciation	<u>(358,847)</u>	
Total		956,694
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(4,300)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(782,368)	
Earnings on investments	(1,823)	
Intergovernmental revenue	<u>9,648,724</u>	
Total		8,864,533
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed.		
		(1,228)
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 increased interest being reported in the statement of activities:		
Increase in accrued interest payable	(144,032)	
Accreted interest on "capital appreciation" bonds	(97,300)	
Amortization of bond premium	43,157	
Amortization of bond issuance costs	<u>(8,634)</u>	
Total		(206,809)
Issuance of bonds is recorded as an other financing source in the funds; however, in the statement of activities, it is not reported as revenues as it increases liabilities on the statement of net assets.		
		(25,800,138)
Premiums on debt issuances are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(2,281,586)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		456,454
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.		
		1,067,149
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>308,752</u>
Change in net assets of governmental activities		<u><u>\$ 10,544,688</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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:				
Taxes	\$ 9,996,811	\$ 9,996,811	\$ 9,967,072	\$ (29,739)
Tuition	1,613,000	1,613,000	1,555,383	(57,617)
Transportation fees	55,000	55,000	20,140	(34,860)
Earnings on investments	90,000	90,000	181,610	91,610
Classroom materials and fees	400	400	405	5
Rental income	2,700	2,700	3,950	1,250
Contributions and donations	2,000	2,000	2,500	500
Contract services	-	-	19,145	19,145
Other local revenues	223,500	223,500	135,325	(88,175)
Payments in lieu of taxes	-	-	233,634	233,634
Intergovernmental - state	16,299,660	16,299,660	16,819,468	519,808
Intergovernmental - federal	-	-	10,831	10,831
Total revenues	<u>28,283,071</u>	<u>28,283,071</u>	<u>28,949,463</u>	<u>666,392</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,552,750	12,552,750	11,868,034	684,716
Special	2,796,781	2,796,781	2,702,874	93,907
Vocational	3,091,583	3,091,583	2,964,463	127,120
Other	2,605,171	2,605,171	2,322,332	282,839
Support services:				
Pupil	910,578	910,578	1,165,556	(254,978)
Instructional staff	1,311,612	1,311,612	1,194,131	117,481
Board of education	26,518	26,518	55,299	(28,781)
Administration	2,569,064	2,569,064	2,620,514	(51,450)
Fiscal	474,328	474,328	446,568	27,760
Business	39,167	39,167	60,492	(21,325)
Operations and maintenance	2,693,097	2,693,097	2,981,888	(288,791)
Pupil transportation	1,069,487	1,069,487	1,525,007	(455,520)
Central	98,593	98,593	183,595	(85,002)
Extracurricular activities	392,753	392,753	387,594	5,159
Facilities acquisition and construction	444,900	444,900	498,439	(53,539)
Total expenditures	<u>31,076,382</u>	<u>31,076,382</u>	<u>30,976,786</u>	<u>99,596</u>
Excess of expenditures over revenues	<u>(2,793,311)</u>	<u>(2,793,311)</u>	<u>(2,027,323)</u>	<u>765,988</u>
Other financing sources (uses):				
Refund of prior year expenditures	70,000	70,000	2,964	(67,036)
Refund of prior year receipts	-	-	(10,596)	(10,596)
Transfers (out)	(102,363)	(102,363)	(25,000)	77,363
Sale of assets	2,000	2,000	30,362	28,362
Total other financing sources (uses)	<u>(30,363)</u>	<u>(30,363)</u>	<u>(2,270)</u>	<u>28,093</u>
Net change in fund balance	(2,823,674)	(2,823,674)	(2,029,593)	794,081
Fund balance at beginning of year (restated)	8,761,627	8,761,627	8,761,627	-
Prior year encumbrances appropriated	651	651	651	-
Fund balance at end of year	<u>\$ 5,938,604</u>	<u>\$ 5,938,604</u>	<u>\$ 6,732,685</u>	<u>\$ 794,081</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and investments	\$ 429,637	\$ 5,138,482
Receivables:		
Accounts	-	11
Intergovernmental.	6,499	-
Total current assets	436,136	5,138,493
Noncurrent assets:		
Capital assets:		
Depreciable capital assets, net	38,275	-
Total assets.	474,411	5,138,493
Liabilities:		
Current liabilities:		
Accrued wages and benefits	55,442	-
Compensated absences.	6,972	-
Pension obligation payable.	41,652	-
Intergovernmental payable	7,705	-
Claims payable	-	541,000
Total current liabilities	111,771	541,000
Long-term liabilities:		
Compensated absences	8,243	-
Total liabilities	120,014	541,000
Net assets:		
Invested in capital assets	38,275	-
Unrestricted.	316,122	4,597,493
Total net assets	354,397	\$ 4,597,493
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds . .		
	12,855	
Net assets of business-type activities.	\$ 367,252	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:		
Tuition and fees.	\$ 1,290,550	\$ -
Sales/charges for services.	-	6,496,238
Other	260,778	-
Total operating revenues	1,551,328	6,496,238
Operating expenses:		
Personal services.	1,279,479	-
Purchased services.	179,302	905,110
Materials and supplies	272,651	-
Other operating expenses.	1,852	-
Depreciation	5,911	-
Claims expense.	-	4,520,858
Total operating expenses.	1,739,195	5,425,968
Operating income (loss)	(187,867)	1,070,270
Nonoperating revenues:		
Grants and subsidies.	205,874	-
Total nonoperating revenues.	205,874	-
Net income before transfers	18,007	1,070,270
Transfer in	25,000	-
Change in net assets.	43,007	1,070,270
Net assets at beginning of year	311,390	3,527,223
Net assets at end of year	354,397	\$ 4,597,493
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds	3,121	
Changes in net assets of business-type activities.	\$ 46,128	

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, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from tuition and fees	\$ 1,290,550	\$ -
Cash received from sales/charges for services.	-	6,496,227
Cash received from other operations.	261,138	-
Cash payments for personal services.	(1,265,944)	-
Cash payments for purchased services	(181,302)	(905,110)
Cash payments for materials and supplies	(272,651)	-
Cash payments for other operating expenses	(1,852)	-
Cash payments for claims expense.	-	(4,609,858)
Net cash provided by (used in) operating activities	(170,061)	981,259
Cash flows from noncapital financing activities:		
Cash received from grants and subsidies.	203,379	-
Cash received from transfers in	25,000	-
Net cash provided by noncapital financing activities	228,379	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(11,962)	-
Net cash used in capital and related financing activities.	(11,962)	-
Net increase in cash and investments	46,356	981,259
Cash and investments at beginning of year	383,281	4,157,223
Cash and investments at end of year.	\$ 429,637	\$ 5,138,482
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss).	\$ (187,867)	\$ 1,070,270
Adjustments:		
Depreciation.	5,911	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	360	(11)
(Decrease) in accounts payable.	(2,000)	-
Increase in accrued wages and benefits	9,878	-
Increase in compensated absences payable.	2,229	-
Increase in intergovernmental payable	1,051	-
Increase in pension obligation payable	377	-
(Decrease) in claims payable	-	(89,000)
Net cash provided by (used in) operating activities	\$ (170,061)	\$ 981,259

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 3,911	\$ 30,118
Total assets	3,911	\$ 30,118
Liabilities:		
Due to students	-	\$ 30,118
Total liabilities	-	\$ 30,118
Net assets:		
Held in trust for scholarships	3,911	
Total net assets	\$ 3,911	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 4
Gifts and contributions	4,046
Total additions.	4,050
Deductions:	
Scholarships awarded	3,846
Change in net assets.	204
Net assets at beginning of year	3,707
Net assets at end of year.	\$ 3,911

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, 2011
(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 is the 146th largest in the State of Ohio (among 918 public school districts and community schools) in terms of enrollment. 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 7 instructional/support facilities staffed by 139 classified and 275 certified full-time teaching personnel, who provide services to 3,052 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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The District has elected not to apply this FASB guidance. 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". 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 governments 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, 2011
(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 2011, the District paid \$163,211 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, 2011
(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 and liabilities 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 District's nonmajor enterprise funds are:

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 assets 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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue 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 revenue.

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 like 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 2011 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for each fund. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2011.

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 2011.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level, which is the legal level of control.

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

F. Cash and Investments

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

During fiscal year 2011, investments were limited to federal agency securities, nonnegotiable certificates of deposit and money markets. 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.

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

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 2011 amounted to \$81,603, which includes \$32,983 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets, 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 government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. 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 net current assets.

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 assets, 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 assets 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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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
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. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable". These amounts are eliminated in the governmental column of the statement of net assets. As of June 30, 2011, the District did not have any interfund balances outstanding.

J. 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 assets 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, 2011 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.

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments 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.

L. 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.

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.

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

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.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes 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 assets are available.

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no prepayments at June 30, 2011.

O. 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.

P. 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.

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

Q. Unamortized Bond Issuance Costs and Bond Premium

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

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

R. 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.

S. 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 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 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. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Governmental
Fund balance (deficit) as previously reported	\$ 7,097,646	\$ (125,107)	\$ 6,972,539
Fund reclassifications:			
Uniform school supplies fund	84,505	(84,505)	-
Public school support fund	74,781	(74,781)	-
Total fund reclassifications	159,286	(159,286)	-
Restated fund balance (deficit) at July 1, 2010	\$ 7,256,932	\$ (284,393)	\$ 6,972,539

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis

	General Fund
Balance at June 30, 2010	\$ 8,813,643
Funds budgeted elsewhere	(52,016)
Restated balance at July 1, 2010	\$ 8,761,627

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

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 251
Race to the top	523
Title VI-B	120,178
Vocational education	233
Title I	54,571
Title VI-R	27,381

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;

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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 \$3,950 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$10,339,305. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$9,568,902 of the District's bank balance of \$11,122,457 was exposed to custodial risk as discussed below, while \$1,553,555 was covered by the FDIC.

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

C. Investments

As of June 30, 2011, the District had the following investments and maturities:

Investment type	Fair Value	6 Months or Less	Investment Maturities			Greater than 24 Months
			7 to 12 Months	13 to 18 Months	19 to 24 Months	
Money market	\$ 660,747	\$ 660,747	\$ -	\$ -	\$ -	\$ -
FFCB	1,517,454	100,239	-	-	306,695	1,110,520
FHLB	13,491,763	2,221,254	4,866,060	4,548,892	959,680	895,877
FHLB - discount	2,712,367	-	2,712,367	-	-	-
FHLB - step-up	200,120	-	-	200,120	-	-
FHLMC	4,931,904	-	-	2,776,489	900,642	1,254,773
FHLMC - discount	923,458	-	923,458	-	-	-
FNMA	3,458,345	-	-	2,957,886	-	500,459
FNMA - discount	284,461	284,461	-	-	-	-
U.S. treasury bill	3,324,458	2,674,888	649,570	-	-	-
Total	<u>\$ 31,505,077</u>	<u>\$ 5,941,589</u>	<u>\$ 9,151,455</u>	<u>\$ 10,483,387</u>	<u>\$ 2,167,017</u>	<u>\$ 3,761,629</u>

The weighted average maturity of investments is 1.26 years.

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 and U.S. treasury bill were rated AAA 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.

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2011:

<u>Investment types</u>	<u>Fair Value</u>	<u>% of Total</u>
Money market	\$ 660,747	2.10
FFCB	1,517,454	4.82
FHLB	13,491,763	42.82
FHLB - discount	2,712,367	8.61
FHLB - step-up	200,120	0.64
FHLMC	4,931,904	15.65
FHLMC - discount	923,458	2.93
FNMA	3,458,345	10.98
FNMA - discount	284,461	0.90
U.S. treasury bill	<u>3,324,458</u>	<u>10.55</u>
Total	<u>\$ 31,505,077</u>	<u>100.00</u>

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

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 assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,339,305
Investments	31,505,077
Cash on hand	<u>3,950</u>
Total	<u>\$ 41,848,332</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 41,384,666
Business-type activities	429,637
Private-purpose trust funds	3,911
Agency funds	<u>30,118</u>
Total	<u>\$ 41,848,332</u>

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NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund statements:

Transfer from general fund to:
Nonmajor enterprise fund

\$ 25,000

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.

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, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(SEE ACCOUNTANT'S COMPILATION REPORT)

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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$1,833,694 in the general fund and \$28,109 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$1,300,302 in the general 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, 2011 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 unearned revenue.

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 deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 335,701,060	97.10	\$ 330,660,350	96.51
Public utility personal	<u>10,029,720</u>	<u>2.90</u>	<u>11,959,500</u>	<u>3.49</u>
Total	<u>\$ 345,730,780</u>	<u>100.00</u>	<u>\$ 342,619,850</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 60.40		\$ 60.90	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 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 assets follows:

Governmental activities:

Taxes	\$ 10,325,867
Accounts	1,593
Intergovernmental	9,844,561
Accrued interest	<u>22,369</u>
Total receivables	<u>\$ 20,194,390</u>

Business-type activities:

Intergovernmental	<u>\$ 6,499</u>
Total receivables	<u>\$ 6,499</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year except the portion of intergovernmental receivable related to the District's Ohio School Facilities Commission building construction project, which will be distributed to the District over the life of the project.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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NOTE 8 - CAPITAL ASSETS

A. Governmental capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/11</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 371,039	\$ 24,682	\$ -	\$ 395,721
Construction in progress	<u>-</u>	<u>792,684</u>	<u>-</u>	<u>792,684</u>
Total capital assets, not being depreciated	<u>371,039</u>	<u>817,366</u>	<u>-</u>	<u>1,188,405</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	828,948	86,694	-	915,642
Buildings/improvements	12,158,506	181,384	-	12,339,890
Furniture/equipment	4,004,876	127,355	-	4,132,231
Vehicles	<u>2,054,960</u>	<u>102,742</u>	<u>(43,000)</u>	<u>2,114,702</u>
Total capital assets, being depreciated	<u>19,047,290</u>	<u>498,175</u>	<u>(43,000)</u>	<u>19,502,465</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(566,682)	(19,281)	-	(585,963)
Buildings/improvements	(10,473,255)	(150,492)	-	(10,623,747)
Furniture/equipment	(2,821,942)	(114,635)	-	(2,936,577)
Vehicles	<u>(1,626,543)</u>	<u>(74,439)</u>	<u>38,700</u>	<u>(1,662,282)</u>
Total accumulated depreciation	<u>(15,488,422)</u>	<u>(358,847)</u>	<u>38,700</u>	<u>(15,808,569)</u>
Governmental activities capital assets, net	<u>\$ 3,929,907</u>	<u>\$ 956,694</u>	<u>\$ (4,300)</u>	<u>\$ 4,882,301</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 68,395
Special	4,946
Vocational	93,588
Adult/continuing	3,604
Support services:	
Pupil	1,896
Instructional staff	22,147
Administration	6,841
Operations and maintenance	38,897
Pupil transportation	72,338
Food service operations	9,899
Extracurricular activities	<u>36,296</u>
Total depreciation expense	<u>\$ 358,847</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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NOTE 8 - CAPITAL ASSETS - (Continued)

B. Business-type capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/11</u>
Business-type activities:				
<i>Capital assets, being depreciated:</i>				
Furniture/equipment	\$ 54,561	\$ 11,962	\$ -	\$ 66,523
Less: accumulated depreciation	<u>(22,337)</u>	<u>(5,911)</u>	<u>-</u>	<u>(28,248)</u>
Business-type activities capital assets, net	<u>\$ 32,224</u>	<u>\$ 6,051</u>	<u>\$ -</u>	<u>\$ 38,275</u>

Depreciation expense was charged to business-type functions as follows:

Adult Education	<u>\$ 5,911</u>
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NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2011, the following changes occurred in long-term obligations:

	Balance <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/11</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
General obligation bonds - series 2010					
Current interest bonds	\$ -	\$ 24,990,000	\$ -	\$ 24,990,000	\$ -
Capital appreciation bonds	-	810,138	-	810,138	-
Accreted interest	<u>-</u>	<u>97,300</u>	<u>-</u>	<u>97,300</u>	<u>-</u>
Total general obligation bonds	<u>-</u>	<u>25,897,438</u>	<u>-</u>	<u>25,897,438</u>	<u>-</u>
Compensated absences payable	<u>1,832,704</u>	<u>96,555</u>	<u>(327,798)</u>	<u>1,601,461</u>	<u>264,584</u>
Total governmental activities long-term liabilities	<u>\$ 1,832,704</u>	<u>\$ 25,993,993</u>	<u>\$ (327,798)</u>	<u>27,498,899</u>	<u>\$ 264,584</u>
Unamortized premium - series 2010				<u>2,238,429</u>	
				<u>\$ 29,737,328</u>	
Business-type activities:					
Compensated absences	<u>\$ 12,986</u>	<u>\$ 7,956</u>	<u>\$ (5,727)</u>	<u>\$ 15,215</u>	<u>\$ 6,972</u>
Total business-type activities long-term liabilities	<u>\$ 12,986</u>	<u>\$ 7,956</u>	<u>\$ (5,727)</u>	<u>\$ 15,215</u>	<u>\$ 6,972</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 and nonmajor enterprise funds.

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

The issue is 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 \$97,300 for series 2010 has been included on the statement of net assets at June 30, 2011.

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, 2011, the District had \$25,407,851 of unspent bond proceeds remaining on the bond issue.

- 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
2012	\$ -	\$ 1,728,385	\$ 1,728,385	\$ -	\$ -	\$ -
2013	5,000	1,728,335	1,733,335	-	-	-
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 - 2021	-	8,602,925	8,602,925	452,160	2,252,840	2,705,000
2022 - 2026	-	8,602,925	8,602,925	44,534	495,466	540,000
2027 - 2031	7,780,000	7,882,985	15,662,985	-	-	-
2032 - 2036	5,400,000	5,129,200	10,529,200	-	-	-
2037 - 2041	7,015,000	2,880,718	9,895,718	-	-	-
2042 - 2044	4,405,000	446,212	4,851,212	-	-	-
Total	\$ 24,990,000	\$ 42,167,290	\$ 67,157,290	\$ 810,138	\$ 3,304,862	\$ 4,115,000

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - 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.

<u>Fiscal Year</u>	<u>Amounts Due</u>	<u>Amounts Deposited</u>
2012	\$ -	\$ -
2013	-	-
2014	-	-
2015	-	-
2016	-	-
2017-2021	-	-
2022-2026	3,235,000	-
2027-2030	<u>3,685,000</u>	<u>-</u>
	<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, 2011, are a voted debt margin of \$6,409,240 (including available funds of \$1,373,591) and an unvoted debt margin of \$342,620.

NOTE 10 - 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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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - 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	\$11,000,000	\$0
Property/Boiler and Machinery	SORSA	109,754,557	1,000
Automobile: Bodily Injury & Property Damage	SORSA	11,000,000	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 2011. 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 2011.

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - RISK MANAGEMENT - (Continued)

The claims liability of \$541,000 reported in the internal service fund at June 30, 2011, 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. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2011	\$ 630,000	\$ 4,520,858	\$ (4,609,858)	\$ 541,000
2010	592,000	4,891,352	(4,853,352)	630,000

C. Workers' Compensation Group Rating Plan

For fiscal year 2011, 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - 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 "*Media/Financial Reports*".

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 2011, 11.77 percent and 0.04 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, 2011, 2010 and 2009 were \$428,857, \$470,108 and \$332,822, respectively; 52.05 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - PENSION PLANS - (Continued)

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 2011, 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, 2011, 2010 and 2009 were \$1,903,645, \$1,881,354 and \$1,837,618, respectively; 82.15 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$48,165 made by the District and \$34,404 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, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - 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 premium for calendar year 2011 was \$96.40 and 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 "Media/Financial Reports".

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2011, 1.43 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 2011, the actuarially determined amount was \$35,800.

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, 2011, 2010, and 2009 were \$107,481, \$71,781 and \$206,679, respectively; 52.05 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$27,598, \$27,956 and \$27,461, respectively; 52.05 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 2011, 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, 2011, 2010 and 2009 were \$146,434, \$144,720 and \$141,355, respectively; 82.15 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) 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:

	<u>General fund</u>
Budget basis	\$ (2,029,593)
Net adjustment for revenue accruals	139,113
Net adjustment for expenditure accruals	(17,528)
Net adjustment for other sources/uses	7,632
Funds budgeted elsewhere	(22,196)
Adjustment for encumbrances	<u>3,075</u>
GAAP basis	<u>\$ (1,919,497)</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - 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.

NOTE 16 - SET-ASIDES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ 435,528	\$ -
Current year set-aside requirement	478,370	478,370
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(926,957)	(690,867)
Excess qualified expenditures from prior years	-	-
Current year offsets	-	(153,559)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (13,059)</u>	<u>\$ (366,056)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 16 - SET-ASIDES - (Continued)

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. During fiscal year 2011, the District issued \$25,800,138 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$25,800,138 at June 30, 2011.

NOTE 17 - 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 fund	\$ 3,075
Building	701,861
Classroom facilities	91,276
Other governmental	<u>268</u>
 Total	 <u>\$ 796,480</u>

NOTE 18 - CONTRACTUAL COMMITMENTS

As a result of the construction project that was in progress at June 30, 2011, the District had the following outstanding contractual commitments at fiscal year end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
K.E. McCartney & Associates, Inc.	\$ 27,500	\$ (20,625)	\$ 6,875
CTL Engineering, Inc.	34,908	(26,419)	8,489
Garmann/Miller & Associates, Inc.	1,985,447	(599,014)	1,386,433
Brewer Garrett Company	88,151	(11,460)	76,691
Gandee and Associates	67,670	(6,750)	60,920
Mannik & Smith Group, Inc.	10,503	(10,503)	-
Jamison Well Drilling, Inc.	4,891	(4,891)	-
M Space Holdings, Inc.	<u>485,611</u>	<u>-</u>	<u>485,611</u>
Total Contractual Commitments	<u>\$ 2,704,681</u>	<u>\$ (679,662)</u>	<u>\$ 2,025,019</u>