

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

BASIC FINANCIAL STATEMENTS

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2010*

ROBIN KLENK, TREASURER

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

Table of Contents.....	1
Accountant’s Compilation Report	2
Management’s Discussion and Analysis	3 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16 - 17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	22
Statement of Net Assets - Proprietary Funds.....	23
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds.....	24
Statement of Cash Flows - Proprietary Funds	25
Statement of Fiduciary Net Assets - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	27
Notes to the Basic Financial Statements.....	28 - 55



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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, 2010, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis, on pages 3 through 14, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Julian & Grube, Inc.

November 24, 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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, 2010. 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 2010 are as follows:

- In total, net assets decreased \$145,272. Net assets of governmental activities decreased \$85,530, which represents a 0.57% decrease from 2009. Net assets of business-type activities decreased \$59,742 or 15.69% from 2009.
- General revenues accounted for \$26,851,548 in revenue or 77.09% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,981,997 or 22.91% of total governmental activities revenues of \$34,833,545.
- The District had \$34,894,075 in expenses related to governmental activities; only \$7,981,997 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 \$26,851,548 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$28,716,941 in revenues and \$30,033,017 in expenditures and other financing uses. The general fund's fund balance decreased \$1,316,076 from \$8,413,722 to \$7,097,646.
- The District's two non-major enterprise funds are the adult education fund and the preschool fund. The adult education fund had \$1,342,129 in revenues and \$1,289,663 in expenses. The adult education fund also received transfers of \$25,000. The adult education fund's net assets increased \$77,466 from \$10,510 to \$87,976. The preschool fund had \$471,324 in revenues and \$607,717 in expenses. The preschool fund's net assets decreased \$136,393 from \$359,807 to \$223,414.

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 is by far the most significant fund, and the only governmental fund reported as a major fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 2010?" 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 fund begins on page 10. Fund financial reports provide detailed information about the District's major fund. 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 fund is the general 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
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 28-55 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, 2010 and June 30, 2009.

	Governmental Activities		Net Assets Business-Type Activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
<u>Assets</u>						
Current assets	\$ 25,614,209	\$ 27,189,594	\$ 397,379	\$ 500,947	\$ 26,011,588	\$ 27,690,541
Capital assets, net	3,929,907	3,862,828	32,224	29,502	3,962,131	3,892,330
Total assets	29,544,116	31,052,422	429,603	530,449	29,973,719	31,582,871
<u>Liabilities</u>						
Current liabilities	12,831,853	14,123,351	95,493	139,484	12,927,346	14,262,835
Long-term liabilities	1,832,704	1,963,982	12,986	10,099	1,845,690	1,974,081
Total liabilities	14,664,557	16,087,333	108,479	149,583	14,773,036	16,236,916
<u>Net Assets</u>						
Invested in capital assets, net of related debt	3,929,907	3,687,828	32,224	29,502	3,962,131	3,717,330
Restricted	837,745	725,544	-	-	837,745	725,544
Unrestricted	10,111,907	10,551,717	288,900	351,364	10,400,807	10,903,081
Total net assets	\$ 14,879,559	\$ 14,965,089	\$ 321,124	\$ 380,866	\$ 15,200,683	\$ 15,345,955

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

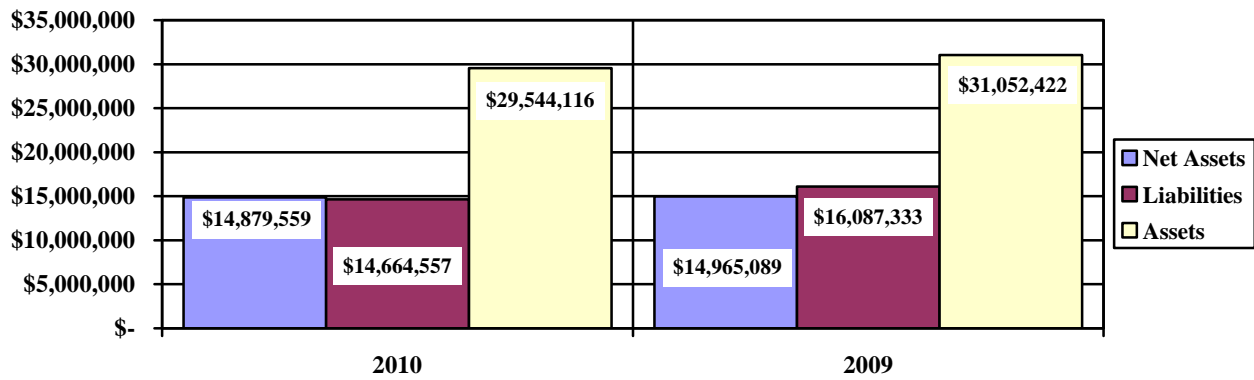
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$15,200,683. \$14,879,559 of this total is in governmental activities, and \$321,124 is in business-type activities.

Capital assets reported on the government-wide statements represented 13.22% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$3,929,907 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.

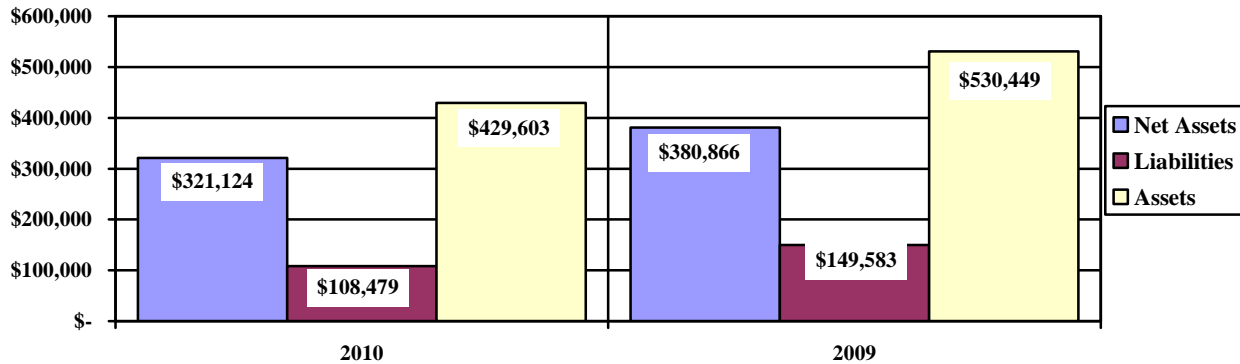
A portion of the District's net assets, \$837,745, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets is \$10,111,907.

The graphs below present the District's governmental and business-type net assets at June 30, 2010 and June 30, 2009.

Governmental - Net Assets



Business-Type - Net Assets



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below shows the changes in net assets for governmental activities and business-type activities for fiscal years 2010 and 2009.

	Change in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 2,385,752	\$ 2,243,318	\$ 1,575,144	\$ 1,177,701	\$ 3,960,896	\$ 3,421,019
Operating grants and contributions	5,596,245	5,318,162	238,309	233,157	5,834,554	5,551,319
Capital grants and contributions	-	27,099	-	-	-	27,099
General revenues:						
Property taxes	10,071,786	9,927,289	-	-	10,071,786	9,927,289
Grants and entitlements, not restricted	16,297,115	15,218,976	-	-	16,297,115	15,218,976
Payments in lieu of taxes	207,646	185,743	-	-	207,646	185,743
Investment earnings	194,311	303,592	-	-	194,311	303,592
Miscellaneous	80,690	94,274	-	-	80,690	94,274
Total revenues	<u>34,833,545</u>	<u>33,318,453</u>	<u>1,813,453</u>	<u>1,410,858</u>	<u>36,646,998</u>	<u>34,729,311</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Expenses</u>						
Program expenses:						
Instruction:						
Regular	\$ 12,006,897	\$ 11,877,929	\$ -	\$ -	\$ 12,006,897	\$ 11,877,929
Special	3,623,469	3,169,090	-	-	3,623,469	3,169,090
Vocational	3,235,064	2,917,449	-	-	3,235,064	2,917,449
Adult/continuing	65,005	25,972	-	-	65,005	25,972
Other	2,099,218	1,996,469	-	-	2,099,218	1,996,469
Support services:						
Pupil	1,332,138	1,300,224	-	-	1,332,138	1,300,224
Instructional staff	2,135,204	1,810,370	-	-	2,135,204	1,810,370
Board of education	37,308	40,403	-	-	37,308	40,403
Administration	2,353,551	2,189,356	-	-	2,353,551	2,189,356
Fiscal	740,201	515,408	-	-	740,201	515,408
Business	70,271	68,110	-	-	70,271	68,110
Operations and maintenance	3,133,209	2,962,124	-	-	3,133,209	2,962,124
Pupil transportation	1,459,190	1,315,677	-	-	1,459,190	1,315,677
Central	195,055	296,853	-	-	195,055	296,853
Operation of non-instructional services:						
Other non-instructional services	507,762	1,065,408	-	-	507,762	1,065,408
Food service operations	1,232,945	1,128,845	-	-	1,232,945	1,128,845
Extracurricular activities	664,215	625,083	-	-	664,215	625,083
Interest and fiscal charges	3,373	12,685	-	-	3,373	12,685
Adult education	-	-	1,290,477	968,793	1,290,477	968,793
Preschool	-	-	607,718	573,522	607,718	573,522
Total expenses	<u>34,894,075</u>	<u>33,317,455</u>	<u>1,898,195</u>	<u>1,542,315</u>	<u>36,792,270</u>	<u>34,859,770</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	(85,530)	(24,002)	(59,742)	(106,457)	(145,272)	(130,459)
Net assets at beginning of year	<u>14,965,089</u>	<u>14,989,091</u>	<u>380,866</u>	<u>487,323</u>	<u>15,345,955</u>	<u>15,476,414</u>
Net assets at end 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>

Governmental Activities

Net assets of the District's governmental activities decreased \$85,530. Total governmental activities expenses of \$34,894,075 were offset by program revenues of \$7,981,997 and general revenues of \$26,851,548. Program revenues supported 22.87% of the total governmental expenses.

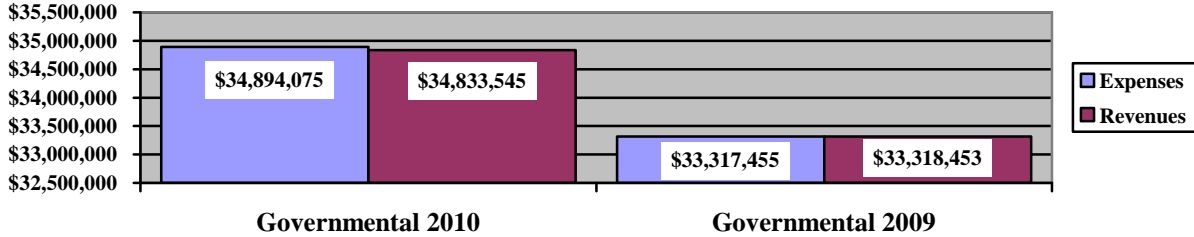
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements not restricted to specific programs. These two revenue sources represent 75.70% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

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 2010 and 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

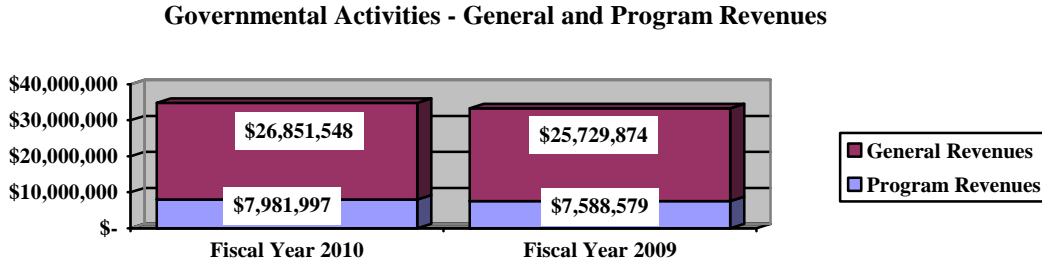
	Governmental Activities			
	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program expenses:				
Instruction:				
Regular	\$ 12,006,897	\$ 9,602,770	\$ 11,877,929	\$ 9,987,465
Special	3,623,469	2,397,135	3,169,090	1,399,740
Vocational	3,235,064	2,660,817	2,917,449	2,344,873
Adult/continuing	65,005	3,004	25,972	2,740
Other	2,099,218	2,037,606	1,996,469	1,963,705
Support services:				
Pupil	1,332,138	986,993	1,300,224	1,124,755
Instructional staff	2,135,204	1,477,346	1,810,370	1,353,505
Board of education	37,308	37,308	40,403	40,403
Administration	2,353,551	2,231,684	2,189,356	2,025,396
Fiscal	740,201	525,848	515,408	515,408
Business	70,271	69,815	68,110	67,601
Operations and maintenance	3,133,209	3,130,599	2,962,124	2,959,474
Pupil transportation	1,459,190	1,283,455	1,315,677	1,196,827
Central	195,055	133,579	296,853	229,809
Operation of non-instructional services:				
Other non-instructional services	507,762	(83,987)	1,065,408	108,191
Food service operations	1,232,945	(126,921)	1,128,845	(89,298)
Extracurricular activities	664,215	541,654	625,083	485,597
Interest and fiscal charges	3,373	3,373	12,685	12,685
Total expenses	<u>\$ 34,894,075</u>	<u>\$ 26,912,078</u>	<u>\$ 33,317,455</u>	<u>\$ 25,728,876</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

The dependence upon tax revenues during fiscal year 2010 for governmental activities is apparent, as 79.42% of instruction activities are supported through taxes and other general revenues. In fiscal year 2010, 77.13% 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 2010 and 2009.



Business-Type Activities

Business-type activities include adult education and the preschool. These programs had revenues of \$1,813,453 and expenses of \$1,898,195 for fiscal year 2010. The District's business-type activities receive no support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$6,972,539, which is less than last year's total of \$8,498,557. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and June 30, 2009.

	Fund Balance (Deficit) <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	<u>Decrease</u>
General	\$ 7,097,646	\$ 8,413,722	\$(1,316,076)
Other Governmental	(125,107)	84,835	(209,942)
Total	<u>\$ 6,972,539</u>	<u>\$ 8,498,557</u>	<u>\$(1,526,018)</u>

General Fund

The District's general fund balance decreased \$1,316,076 during fiscal year 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

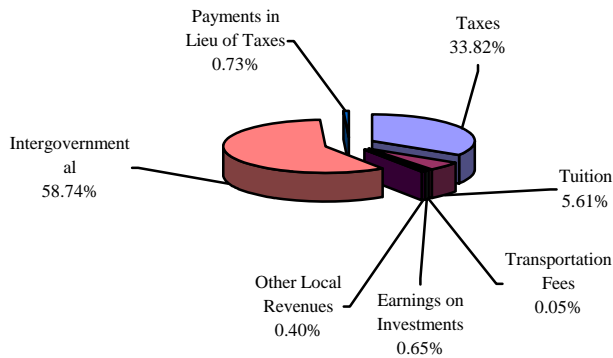
The table that follows assists in illustrating the financial activities and fund balance of the general fund. Payments in lieu of taxes for fiscal year 2009 have been reclassified from other local revenues to conform to fiscal year 2010 presentation.

<u>Revenues</u>	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Increase/ (Decrease)</u>
Taxes	\$ 9,710,687	\$ 10,227,991	(5.06) %
Tuition	1,611,991	1,385,588	16.34 %
Transportation fees	15,111	9,595	57.49 %
Earnings on investments	186,535	299,842	(37.79) %
Other local revenues	116,177	61,836	87.88 %
Payments in lieu of taxes	207,646	260,610	(20.32) %
Intergovernmental	<u>16,868,794</u>	<u>16,797,039</u>	0.43 %
Total	<u>\$ 28,716,941</u>	<u>\$ 29,042,501</u>	(1.12) %

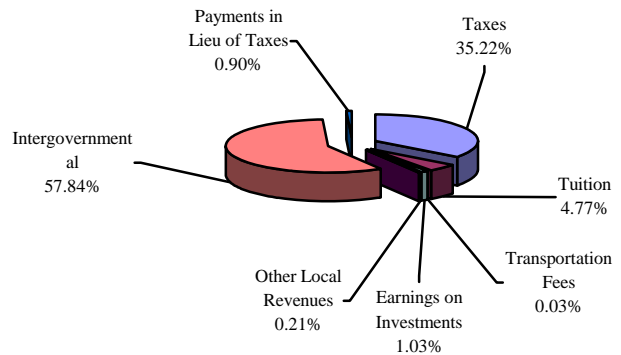
Revenues of the general fund decreased \$325,560 or 1.12%. The most significant decreases were in the areas of tax revenue and earnings on investments. Tax revenue decreased \$517,304 or 5.06%. This decrease is mainly attributable to the phase out of tangible personal property tax during fiscal year 2010. Earnings on investments decreased \$113,307 or 37.79% mainly because of declining interest rates during fiscal year 2010.

Intergovernmental revenue increased \$71,755 or 0.43% from the prior year. This increase is attributable to tangible personal property tax loss reimbursements from the State pursuant to Am. Sub. House Bill 66.

Revenues - Fiscal Year 2010



Revenues - Fiscal Year 2009



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

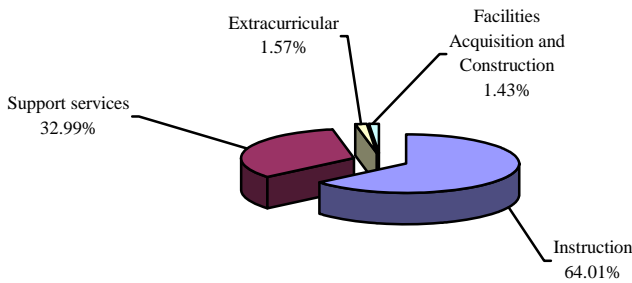
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

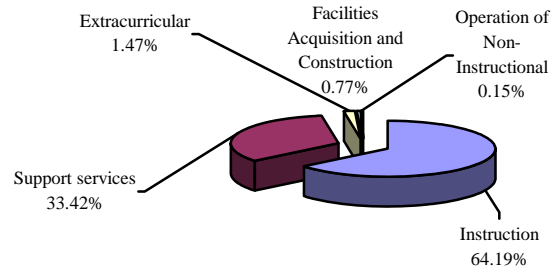
<u>Expenditures</u>	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Increase/ (Decrease)</u>
Instruction	\$ 19,093,778	\$ 19,042,557	0.27 %
Support services	9,840,459	9,915,744	(0.76) %
Operation of non-instructional services	-	45,138	(100.00) %
Extracurricular activities	467,171	434,747	7.46 %
Facilities acquisition and construction	<u>426,884</u>	<u>227,643</u>	87.52 %
Total	<u>\$ 29,828,292</u>	<u>\$ 29,665,829</u>	0.55 %

Expenditures of the general fund increased \$162,463 or 0.55%. The most significant increases were in the areas of instruction expenditures and facilities acquisition and construction expenditures. Instruction expenditures increased \$51,221 or 0.27%. Facilities acquisition and construction expenditures increased \$199,241 or 87.52%. These increases are mainly attributable to wage increases and the condition of the District's buildings during fiscal year 2010.

Expenditures - Fiscal Year 2010



Expenditures - Fiscal Year 2009



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.

During the course of fiscal year 2010, the District amended its general fund budget several times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$28,516,753, which is more than original budget estimates of \$27,090,872. Actual revenues and other financing sources were \$28,516,753 which is the same as the final budgeted revenues and other financing sources.

General fund original appropriations and other financing uses of \$31,249,579 were decreased to \$31,209,100 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$30,099,017, which was \$1,110,083 less than the final budget appropriations and other financing uses.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Capital Assets and Debt Administration

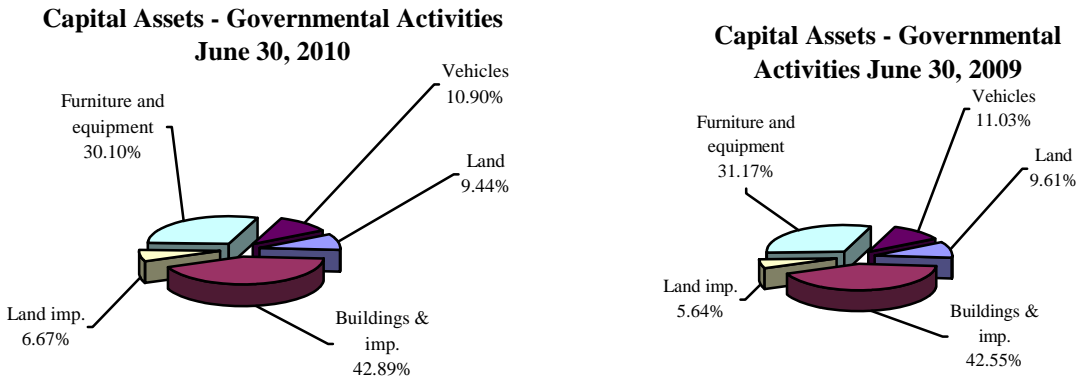
Capital Assets

At the end of fiscal year 2010, the District had \$3,962,131 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Of this total, \$3,929,907 was reported in governmental activities and \$32,224 was reported in business-type activities. The following table shows June 30, 2010 balances compared to June 30, 2009.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 371,039	\$ 371,039	\$ -	\$ -	\$ 371,039	\$ 371,039
Land improvements	262,266	218,048	-	-	262,266	218,048
Building and improvements	1,685,251	1,643,404	-	-	1,685,251	1,643,404
Furniture and equipment	1,182,934	1,204,221	32,224	29,502	1,215,158	1,233,723
Vehicles	428,417	426,116	-	-	428,417	426,116
Total	\$ 3,929,907	\$ 3,862,828	\$ 32,224	\$ 29,502	\$ 3,962,131	\$ 3,892,330

The following graphs show the breakdown of governmental activities capital assets by category at June 30, 2010 and June 30, 2009.



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

Debt Administration

At June 30, 2010 the District had no outstanding debt.

At June 30, 2010, the District's overall legal debt margin was \$31,115,770, with an unvoted debt margin of \$345,731.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

Current Financial Related Activities

The District ended fiscal year 2010 with a cash fund balance of \$13,870,566. The District has been able to reduce staff and expenditures over the past five fiscal years to avoid a deficit situation. During fiscal year 2010, the District began deficit spending by 1,580,385. A 6.9 mill 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 \$6,881,201 for fiscal year 2011 and \$4,126,114 for fiscal year 2012.

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 mill levy for the construction of a pre-kindergarten to eighth grade building and a ½ mill 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, allowing the District to plan on construction of a new fifth through eighth grade middle school building on the site of the Wooster Heights Elementary School.

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, 2010

(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 13,540,087	\$ 383,281	\$ 13,923,368
Receivables:			
Taxes	11,860,622	-	11,860,622
Accounts	-	360	360
Intergovernmental	186,236	4,004	190,240
Accrued interest	22,395	-	22,395
Materials and supplies inventory	14,603	-	14,603
Internal balances	(9,734)	9,734	-
Capital assets:			
Land	371,039	-	371,039
Depreciable capital assets, net	3,558,868	32,224	3,591,092
Total capital assets, net	<u>3,929,907</u>	<u>32,224</u>	<u>3,962,131</u>
Total assets	<u>29,544,116</u>	<u>429,603</u>	<u>29,973,719</u>
Liabilities:			
Accounts payable	4,425	2,000	6,425
Accrued wages and benefits	2,964,347	45,564	3,009,911
Pension obligation payable	701,718	41,275	742,993
Intergovernmental payable	222,583	6,654	229,237
Claims payable	630,000	-	630,000
Unearned revenue	8,308,780	-	8,308,780
Long-term liabilities:			
Due within one year	175,506	5,727	181,233
Due in more than one year	1,657,198	7,259	1,664,457
Total liabilities	<u>14,664,557</u>	<u>108,479</u>	<u>14,773,036</u>
Net Assets:			
Invested in capital assets	3,929,907	32,224	3,962,131
Restricted for:			
Locally funded programs	9,808	-	9,808
State funded programs	81,432	-	81,432
Federally funded programs	680	-	680
Public school support	74,781	-	74,781
Student activities	28,714	-	28,714
Other purposes	642,330	-	642,330
Unrestricted	<u>10,111,907</u>	<u>288,900</u>	<u>10,400,807</u>
Total net assets	<u>\$ 14,879,559</u>	<u>\$ 321,124</u>	<u>\$ 15,200,683</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, 2010

(SEE ACCOUNTANT'S COMPILATION REPORT)

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 12,006,897	\$ 1,586,412	\$ 817,715
Special	3,623,469	233,482	992,852
Vocational	3,235,064	24,303	549,944
Adult/continuing.	65,005	-	62,001
Other	2,099,218	-	61,612
Support services:			
Pupil.	1,332,138	-	345,145
Instructional staff	2,135,204	-	657,858
Board of education	37,308	-	-
Administration.	2,353,551	-	121,867
Fiscal.	740,201	-	214,353
Business.	70,271	406	50
Operations and maintenance	3,133,209	2,610	-
Pupil transportation.	1,459,190	15,111	160,624
Central	195,055	-	61,476
Operation of non-instructional services:			
Other non-instructional services	507,762	-	591,749
Food service operations	1,232,945	415,823	944,043
Extracurricular activities.	664,215	107,605	14,956
Interest and fiscal charges	3,373	-	-
Total governmental activities	<u>34,894,075</u>	<u>2,385,752</u>	<u>5,596,245</u>
Business-type activities:			
Adult education	1,290,477	1,156,598	185,531
Preschool.	607,718	418,546	52,778
Total business-type activities	<u>1,898,195</u>	<u>1,575,144</u>	<u>238,309</u>
Totals	<u>\$ 36,792,270</u>	<u>\$ 3,960,896</u>	<u>\$ 5,834,554</u>

General Revenues:

Property taxes levied for:

 General fund

Grants and entitlements not restricted to specific programs

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
\$ (9,602,770)	\$ -	\$ (9,602,770)
(2,397,135)	-	(2,397,135)
(2,660,817)	-	(2,660,817)
(3,004)	-	(3,004)
(2,037,606)	-	(2,037,606)
(986,993)	-	(986,993)
(1,477,346)	-	(1,477,346)
(37,308)	-	(37,308)
(2,231,684)	-	(2,231,684)
(525,848)	-	(525,848)
(69,815)	-	(69,815)
(3,130,599)	-	(3,130,599)
(1,283,455)	-	(1,283,455)
(133,579)	-	(133,579)
83,987	-	83,987
126,921	-	126,921
(541,654)	-	(541,654)
(3,373)	-	(3,373)
(26,912,078)	-	(26,912,078)
-	51,652	51,652
-	(136,394)	(136,394)
-	(84,742)	(84,742)
(26,912,078)	(84,742)	(26,996,820)
10,071,786	-	10,071,786
16,297,115	-	16,297,115
207,646	-	207,646
194,311	-	194,311
80,690	-	80,690
26,851,548	-	26,851,548
(25,000)	25,000	-
26,826,548	25,000	26,851,548
(85,530)	(59,742)	(145,272)
14,965,089	380,866	15,345,955
\$ 14,879,559	\$ 321,124	\$ 15,200,683

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 8,360,117	\$ 530,027	\$ 8,890,144
Receivables:			
Taxes	11,860,622	-	11,860,622
Intergovernmental	2,949	183,287	186,236
Accrued interest	22,395	-	22,395
Due from other funds	83,221	-	83,221
Materials and supplies inventory	-	14,603	14,603
Restricted assets:			
Equity in pooled cash and investments	492,720	-	492,720
Total assets	<u>\$ 20,822,024</u>	<u>\$ 727,917</u>	<u>\$ 21,549,941</u>
Liabilities:			
Accounts payable	\$ 4,376	\$ 49	\$ 4,425
Accrued wages and benefits	2,572,236	392,111	2,964,347
Compensated absences payable	68,996	21,524	90,520
Pension obligation payable	601,995	99,723	701,718
Intergovernmental payable	204,749	17,834	222,583
Due to other funds	-	83,221	83,221
Deferred revenue	2,147,328	54,480	2,201,808
Unearned revenue	8,124,698	184,082	8,308,780
Total liabilities	<u>13,724,378</u>	<u>853,024</u>	<u>14,577,402</u>
Fund Balances:			
Reserved for encumbrances	1	3,562	3,563
Reserved for materials and supplies inventory	-	14,603	14,603
Reserved for tax revenue unavailable for appropriation	1,300,302	-	1,300,302
Reserved for textbooks/instructional supplies	435,528	-	435,528
Reserved for school bus purchases	57,192	-	57,192
Unreserved, undesignated (deficit), reported in:			
General fund	5,304,623	-	5,304,623
Special revenue funds	-	(143,272)	(143,272)
Total fund balances (deficit)	<u>7,097,646</u>	<u>(125,107)</u>	<u>6,972,539</u>
Total liabilities and fund balances	<u>\$ 20,822,024</u>	<u>\$ 727,917</u>	<u>\$ 21,549,941</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, 2010

(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances		\$ 6,972,539
<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.		3,929,907
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 2,133,703	
Accrued interest receivable	13,625	
Intergovernmental receivable	54,480	
Total		2,201,808
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 \$9,734, are:		3,517,489
Long-term liabilities, such as compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.		(1,742,184)
Net assets of governmental activities		\$ 14,879,559

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, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 9,710,687	\$ -	\$ 9,710,687
Tuition	1,611,991	-	1,611,991
Transportation fees	15,111	-	15,111
Charges for services	-	409,481	409,481
Earnings on investments	186,535	539	187,074
Extracurricular	-	108,736	108,736
Classroom materials and fees	1,200	136,637	137,837
Rental income	2,610	-	2,610
Contributions and donations	2,061	30,123	32,184
Contract services	84,416	250	84,666
Other local revenues	25,890	68,059	93,949
Payments in lieu of taxes	207,646	-	207,646
Intergovernmental - state	16,865,749	636,807	17,502,556
Intergovernmental - federal	3,045	4,309,480	4,312,525
Total revenues	<u>28,716,941</u>	<u>5,700,112</u>	<u>34,417,053</u>
Expenditures:			
Current:			
Instruction:			
Regular	11,256,434	1,037,750	12,294,184
Special	2,680,153	1,038,257	3,718,410
Vocational	3,121,217	68,128	3,189,345
Adult/continuing	-	61,973	61,973
Other	2,035,974	67,887	2,103,861
Support services:			
Pupil	948,517	400,285	1,348,802
Instructional staff	1,462,697	724,319	2,187,016
Board of education	37,308	-	37,308
Administration	2,244,039	141,317	2,385,356
Fiscal	515,141	238,627	753,768
Business	69,713	558	70,271
Operations and maintenance	3,005,595	-	3,005,595
Pupil transportation	1,423,845	112,428	1,536,273
Central	133,604	61,451	195,055
Operation of non-instructional services:			
Other non-instructional services	-	514,443	514,443
Food service operations	-	1,289,786	1,289,786
Extracurricular activities	467,171	153,288	620,459
Facilities acquisition and construction	426,884	-	426,884
Debt service:			
Principal retirement	-	175,000	175,000
Interest and fiscal charges	-	4,725	4,725
Total expenditures	<u>29,828,292</u>	<u>6,090,222</u>	<u>35,918,514</u>
Excess of expenditures over revenues	<u>(1,111,351)</u>	<u>(390,110)</u>	<u>(1,501,461)</u>
Other financing sources (uses):			
Transfers in	-	179,725	179,725
Transfers (out)	<u>(204,725)</u>	-	<u>(204,725)</u>
Total other financing sources (uses)	<u>(204,725)</u>	<u>179,725</u>	<u>(25,000)</u>
Net change in fund balances	(1,316,076)	(210,385)	(1,526,461)
Fund balances at beginning of year	8,413,722	84,835	8,498,557
Increase in reserve for inventory	-	443	443
Fund balances (deficit) at end of year	\$ 7,097,646	\$ (125,107)	\$ 6,972,539

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, 2010

(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds \$ (1,526,461)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the 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	\$ 429,191	
Current year depreciation	<u>(362,112)</u>	
Total		67,079

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

Taxes	361,099	
Earnings on investments	7,776	
Intergovernmental revenue	<u>47,617</u>	
Total		416,492

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed.

443

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

175,000

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, interest is expended when due.

1,352

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.

819,702

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.

(39,137)

Change in net assets of governmental activities \$ (85,530)

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, 2010
(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	\$ 9,316,762	\$ 9,807,133	\$ 10,060,393	\$ 253,260
Tuition	1,489,357	1,567,747	1,611,991	44,244
Transportation fees	9,025	9,500	15,251	5,751
Earnings on investments	80,025	84,237	84,237	-
Classroom materials and fees	-	-	1,200	1,200
Rental income	2,470	2,600	2,610	10
Contributions and donations	-	-	2,061	2,061
Contract services	84,300	88,737	84,416	(4,321)
Other local revenues	34,986	47,757	24,972	(22,785)
Payments in lieu of taxes	207,646	207,646	207,646	-
Intergovernmental - state	15,812,176	16,644,422	16,295,051	(349,371)
Intergovernmental - federal	-	-	3,045	3,045
Total revenues	<u>27,036,747</u>	<u>28,459,779</u>	<u>28,392,873</u>	<u>(66,906)</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,973,740	11,853,628	11,370,963	482,665
Special	1,509,256	2,650,320	2,681,060	(30,740)
Vocational	3,485,565	3,055,102	3,127,244	(72,142)
Other	2,072,857	1,965,401	2,032,971	(67,570)
Support services:				
Pupil	1,080,882	1,101,481	972,842	128,639
Instructional staff	1,473,456	1,471,092	1,395,746	75,346
Board of education	40,753	48,708	37,011	11,697
Administration	2,223,133	2,184,174	2,233,549	(49,375)
Fiscal	753,795	709,082	452,129	256,953
Business	71,700	66,759	69,553	(2,794)
Operations and maintenance	3,181,108	3,112,796	3,016,568	96,228
Pupil transportation	1,382,134	1,408,816	1,417,596	(8,780)
Central	211,762	124,757	192,241	(67,484)
Extracurricular activities	478,304	456,809	467,935	(11,126)
Facilities acquisition and construction	690,308	491,191	426,884	64,307
Total expenditures	<u>30,628,753</u>	<u>30,700,116</u>	<u>29,894,292</u>	<u>805,824</u>
Excess of expenditures over revenues	<u>(3,592,006)</u>	<u>(2,240,337)</u>	<u>(1,501,419)</u>	<u>738,918</u>
Other financing sources (uses):				
Refund of prior year expenditures	8,075	8,500	75,261	66,761
Refund of prior year receipts	(247,862)	(247,862)	-	247,862
Transfers (out)	(291,309)	(179,467)	(204,725)	(25,258)
Advances in	44,150	46,474	46,474	-
Advances (out)	(68,000)	(68,000)	-	68,000
Sale of capital assets	1,900	2,000	2,145	145
Other financing uses	(13,655)	(13,655)	-	13,655
Total other financing sources (uses)	<u>(566,701)</u>	<u>(452,010)</u>	<u>(80,845)</u>	<u>371,165</u>
Net change in fund balance	(4,158,707)	(2,692,347)	(1,582,264)	1,110,083
Fund balance at beginning of year	10,304,605	10,304,605	10,304,605	-
Prior year encumbrances appropriated	91,302	91,302	91,302	-
Fund balance at end of year	\$ 6,237,200	\$ 7,703,560	\$ 8,813,643	\$ 1,110,083

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

(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	\$ 383,281	\$ 4,157,223
Receivables:		
Accounts	360	-
Intergovernmental	4,004	-
Total current assets	387,645	4,157,223
Noncurrent assets:		
Capital assets:		
Depreciable capital assets, net	32,224	-
Total assets	419,869	4,157,223
Liabilities:		
Current liabilities:		
Accounts payable	2,000	-
Accrued wages and benefits	45,564	-
Compensated absences	5,727	-
Pension obligation payable	41,275	-
Intergovernmental payable	6,654	-
Claims payable	-	630,000
Total current liabilities	101,220	630,000
Long-term liabilities:		
Compensated absences	7,259	-
Total liabilities	108,479	630,000
Net assets:		
Invested in capital assets	32,224	-
Unrestricted	279,166	3,527,223
Total net assets	311,390	\$ 3,527,223
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds		
	9,734	
Net assets of business-type activities	\$ 321,124	

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, 2010

(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	Funds	Service Fund
Operating revenues:		
Tuition and fees.	\$ 1,215,467	\$ -
Sales/charges for services.	-	6,462,220
Other	359,677	-
Total operating revenues	1,575,144	6,462,220
Operating expenses:		
Personal services.	1,246,030	-
Purchased services.	400,119	751,981
Materials and supplies	242,428	-
Other operating expenses	3,860	-
Depreciation	4,943	-
Claims expense.	-	4,891,352
Total operating expenses.	1,897,380	5,643,333
Operating income (loss)	(322,236)	818,887
Nonoperating revenues:		
Grants and subsidies.	238,309	-
Total nonoperating revenues.	238,309	-
Net income (loss) before transfers	(83,927)	818,887
Transfer in	25,000	-
Change in net assets.	(58,927)	818,887
Net assets at beginning of year	370,317	2,708,336
Net assets at end of year.	311,390	\$ 3,527,223
Adjustment to reflect the consolidation of the internal		
service fund activities related to enterprise funds	(815)	
Changes in net assets of business-type activities	\$ (59,742)	

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, 2010

(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	\$ 1,215,467	\$ -
Cash received from sales/charges for services.	-	6,462,220
Cash received from other operations.	359,317	-
Cash payments for personal services.	(1,289,070)	-
Cash payments for contractual services	(397,813)	(751,981)
Cash payments for materials and supplies	(242,428)	-
Cash payments for other operating expenses	(3,860)	-
Cash payments for claims expense.	-	(4,853,352)
	(358,387)	856,887
Net cash provided by (used in) operating activities		
Cash flows from noncapital financing activities:		
Cash received from grants and subsidies.	241,904	-
Cash received from transfers in	25,000	-
	266,904	-
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(7,665)	-
	(7,665)	-
Net cash used in capital and related financing activities.		
Net increase (decrease) in cash and investments	(99,148)	856,887
Cash and investments at beginning of year	482,429	3,300,336
Cash and investments at end of year.	\$ 383,281	\$ 4,157,223
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss).	\$ (322,236)	\$ 818,887
Adjustments:		
Depreciation.	4,943	-
Changes in liabilities:		
Decrease in accounts receivable	10	-
Increase in accounts payable.	1,936	-
(Decrease) in accrued wages and benefits	(22,707)	-
Increase in compensated absences payable.	2,887	-
(Decrease) in intergovernmental payable	(269)	-
(Decrease) in pension obligation payable	(22,951)	-
Increase in claims payable	-	38,000
	(358,387)	856,887
Net cash provided by (used in) operating activities	\$ (358,387)	\$ 856,887

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

(SEE ACCOUNTANT'S COMPILATION REPORT)

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 3,707	\$ 65,255
Total assets.	3,707	\$ 65,255
Liabilities:		
Due to students.	-	\$ 65,255
Total liabilities	-	\$ 65,255
Net assets:		
Held in trust for scholarships	3,707	
Total net assets	\$ 3,707	

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, 2010

(SEE ACCOUNTANT'S COMPILATION REPORT)

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 10
Gifts and contributions	3,605
Total additions	3,615
Deductions:	
Scholarships awarded	3,143
Change in net assets	472
Net assets at beginning of year	3,235
Net assets at end of year	\$ 3,707

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 905 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 146 classified and 287 certified full-time teaching personnel, who provide services to 3,118 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, 2010
(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 2010, the District paid \$202,610 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, 2010
(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 is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

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, 2010
(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 accounts 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, 2010
(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, 2010
(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, 2010, but which were levied to finance fiscal year 2011 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, 2010 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 2010 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 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 2010.
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. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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 2010, investments were limited to federal agency securities, negotiable certificates of deposit, nonnegotiable certificates of deposit and a money market. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 2010 amounted to \$186,535, which includes \$14,087 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 received. 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 material and supplies inventory is equally offset by a fund balance reserve 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 are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 from the general fund to cover negative cash balances in other governmental funds are classified as “due to/from other funds.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

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.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, tax revenue unavailable for appropriation, textbooks/instructional supplies and school bus purchases. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes primarily represents amounts restricted by State statute for school bus purchases and textbooks/instructional supplies. This amount also includes amounts restricted for food service operations, special trusts and uniform school supplies.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2010, there were no net assets restricted by enabling legislation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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, 2010.

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.

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for textbooks/instructional supplies and school bus purchases. See Note 16 for details.

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 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$2,952
Title VI-B	294,300
Vocational education	271
Education stabilization	89,887
Stimulus Title II-D	5
School improvement stimulus	25
Title I	91,886
Drug free schools	12
Preschool grant for the handicapped	13,087
Title VI-R	26,482
Early learning initiatives	1,591

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$4,000 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

B. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$9,067,803. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$7,848,732 of the District's bank balance of \$9,369,767 was exposed to custodial risk as discussed below, while \$1,521,035 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2010, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
Money market	\$ 578,865	\$ 578,865	\$ -	\$ -	\$ -	\$ -
Negotiable CD's	203,045	-	203,045	-	-	-
FFCB	1,216,845	-	-	100,625	-	1,116,220
FHLB	1,509,562	-	100,812	-	200,875	1,207,875
FHLMC	305,491	-	-	-	-	305,491
FNMA	1,106,719	-	-	-	-	1,106,719
Total	<u>\$ 4,920,527</u>	<u>\$ 578,865</u>	<u>\$ 303,857</u>	<u>\$ 100,625</u>	<u>\$ 200,875</u>	<u>\$ 3,736,305</u>

The weighted average maturity of investments is 3.00 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 were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAM money market rating. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities 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, 2010:

Investment types	Fair Value	% of Total
Money market	\$ 578,865	11.76
Negotiable CD's	203,045	4.13
FFCB	1,216,845	24.73
FHLB	1,509,562	30.68
FHLMC	305,491	6.21
FNMA	1,106,719	22.49
Total	\$ 4,920,527	100.00

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,067,803
Investments	4,920,527
Cash on hand	4,000
Total	\$ 13,992,330
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 13,540,087
Business-type activities	383,281
Private-purpose trust funds	3,707
Agency funds	65,255
Total	\$ 13,992,330

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2010, consisted of the following amount due to/from other funds, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 83,221

The primary purpose of the due to/from other funds is to cover a negative cash balance in a specific fund at June 30, 2010. The negative cash balance will be eliminated once the anticipated revenues are received.

Amounts due to/from other funds made between governmental funds are eliminated on the government-wide financial statements. The internal balance between governmental and business-type activities reported on the statement of net assets at June 30, 2010 relates to the consolidation of the internal service fund with governmental activities.

- B.** Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund statements:

Transfers from general fund to:	
Nonmajor governmental fund	\$ 179,725
Nonmajor enterprise fund	25,000
Total Transfers	\$ 204,725

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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.

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 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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 calendar year 2010 (other than public utility property) 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 are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$1,300,302 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$1,951,927 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 336,072,740	90.73	\$ 335,701,060	97.10
Public utility personal	10,975,210	2.96	10,029,720	2.90
Tangible personal property	<u>23,368,092</u>	<u>6.31</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 370,416,042</u>	<u>100.00</u>	<u>\$ 345,730,780</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$60.40		\$60.40	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 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	\$ 11,860,622
Intergovernmental	186,236
Accrued interest	<u>22,395</u>
Total receivables	<u>\$ 12,069,253</u>

Business-type activities:

Accounts	\$ 360
Intergovernmental	<u>4,004</u>
Total receivables	<u>\$ 4,364</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 7 - RECEIVABLES - (Continued)

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

A. Governmental capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 371,039	\$ -	\$ -	\$ 371,039
Total capital assets, not being depreciated	<u>371,039</u>	<u>-</u>	<u>-</u>	<u>371,039</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	763,158	65,790	-	828,948
Buildings/improvements	11,972,980	185,526	-	12,158,506
Furniture/equipment	3,907,731	97,145	-	4,004,876
Vehicles	1,974,230	80,730	-	2,054,960
Total capital assets, being depreciated	<u>18,618,099</u>	<u>429,191</u>	<u>-</u>	<u>19,047,290</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(545,110)	(21,572)	-	(566,682)
Buildings/improvements	(10,329,576)	(143,679)	-	(10,473,255)
Furniture/equipment	(2,703,510)	(118,432)	-	(2,821,942)
Vehicles	(1,548,114)	(78,429)	-	(1,626,543)
Total accumulated depreciation	<u>(15,126,310)</u>	<u>(362,112)</u>	<u>-</u>	<u>(15,488,422)</u>
Governmental activities capital assets, net	<u>\$ 3,862,828</u>	<u>\$ 67,079</u>	<u>\$ -</u>	<u>\$ 3,929,907</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 63,330
Special	4,443
Vocational	92,498
Adult/continuing	3,032
Support services:	
Pupil	1,860
Instructional staff	28,000
Administration	7,192
Operations and maintenance	35,159
Pupil transportation	77,082
Food service operations	8,804
Extracurricular activities	<u>40,712</u>
Total depreciation expense	<u>\$ 362,112</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Business-type capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
Business-type activities:				
<i>Capital assets, being depreciated:</i>				
Furniture/equipment	\$ 46,896	\$ 7,665	\$ -	\$ 54,561
Less: accumulated depreciation	<u>(17,394)</u>	<u>(4,943)</u>	<u>-</u>	<u>(22,337)</u>
Business-type activities capital assets, net	<u>\$ 29,502</u>	<u>\$ 2,722</u>	<u>\$ -</u>	<u>\$ 32,224</u>

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

Adult Education	<u>\$ 4,943</u>
-----------------	-----------------

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2010, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
Energy conservation notes	\$ 175,000	\$ -	\$ (175,000)	\$ -	\$ -
Compensated absences payable	<u>1,788,982</u>	<u>263,344</u>	<u>(219,622)</u>	<u>1,832,704</u>	<u>175,506</u>
Total governmental activities long-term liabilities	<u>\$ 1,963,982</u>	<u>\$ 263,344</u>	<u>\$ (394,622)</u>	<u>\$ 1,832,704</u>	<u>\$ 175,506</u>
Business-type activities:					
Compensated absences	<u>\$ 10,099</u>	<u>\$ 8,152</u>	<u>\$ (5,265)</u>	<u>\$ 12,986</u>	<u>\$ 5,727</u>
Total business-type activities long-term liabilities	<u>\$ 10,099</u>	<u>\$ 8,152</u>	<u>\$ (5,265)</u>	<u>\$ 12,986</u>	<u>\$ 5,727</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Energy Conservation Notes – During fiscal year 2010, the District retired energy conservation notes payable that were issued in accordance with Section 3313.72, Ohio Revised Code and House Bill 264. The notes were issued in three phases; the first two phases matured during fiscal year 2003 and the third phase was issued on November 1, 1999 in the amount of \$1,438,697 with an interest rate of 4.70% - 5.40% and matured on November 1, 2009. The primary source of repayment of the notes was through energy savings as a result of the improvements. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund (a nonmajor governmental fund). There are no future obligations.

B. Legal Debt Margin

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, 2010, are a voted debt margin of \$31,115,770 and an unvoted debt margin of \$345,731.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

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	109,701,547	250
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 2010. 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 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 11 - RISK MANAGEMENT - (Continued)

The claims liability of \$630,000 reported in the internal service fund at June 30, 2010, 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>
2010	\$ 592,000	\$ 4,891,352	\$ (4,853,352)	\$ 630,000
2009	631,163	4,126,419	(4,165,582)	592,000

C. Workers' Compensation Group Rating Plan

For fiscal year 2010, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 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, 2010, 2009 and 2008 were \$470,108, \$332,822 and \$335,200, respectively; 43.14 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 2010, 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, 2010, 2009 and 2008 were \$1,881,354, \$1,837,618 and \$1,788,924, respectively; 81.95 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$47,320 made by the District and \$33,800 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, 2010, 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 Chapter 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 2009 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 *Employers/Audit Resources*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 2010, 0.46 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 2010, 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, 2010, 2009, and 2008 were \$71,781, \$206,679 and \$226,263, respectively; 43.14 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, 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, 2010, 2009, and 2008 were \$27,956, \$27,461 and \$24,152, respectively; 43.14 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 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 2010, 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, 2010, 2009, and 2008 were \$144,720, \$141,355 and \$137,610, respectively; 81.95 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(SEE ACCOUNTANT'S COMPILATION REPORT)

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, cash disbursements and encumbrances.

The statement of revenues, 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 a reservation of 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).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,582,264)
Net adjustment for revenue accruals	324,068
Net adjustment for expenditure accruals	65,349
Net adjustment for other sources/uses	(123,880)
Adjustment for encumbrances	651
GAAP basis	<u>\$ (1,316,076)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional supplies 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. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbooks/ Instructional <u>Supplies</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2009	\$ 504,329	\$ -
Current year set-aside requirement	532,797	532,797
Qualifying disbursements	<u>(601,598)</u>	<u>(606,847)</u>
 Total	 <u>\$ 435,528</u>	 <u>\$ (74,050)</u>
 Balance carried forward to fiscal year 2011	 <u>\$ 435,528</u>	 <u>\$ -</u>

The District had qualifying disbursements during the year that reduced the capital acquisition set-aside amounts below zero. These extra amounts may not be used to reduce the set-aside requirements of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the governmental fund restricted assets at June 30, 2010 follows:

Amount restricted for textbooks/instructional supplies	\$ 435,528
Amount restricted for school bus purchases	
(State Foundation revenue allocated for school bus purchases)	<u>57,192</u>
 Total restricted assets	 <u>\$ 492,720</u>