MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY

TABLE OF CONTENTS

MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY

TABLE OF CONTENTS
(Continued)

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Local School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Local School District, Butler County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

January 5, 2018

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The discussion and analysis of Madison Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position of governmental activities increased $407,357 which represents a 279% increase from 2016.

- General revenues accounted for $15,081,243 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $3,441,275 or 19% of total revenues of $18,522,518.

- The District had $18,115,161 in expenses related to governmental activities; $3,441,275 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $15,081,243 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows* and *liabilities and deferred inflows* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Fund Financial Statements

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

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

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

The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2017 compared to 2016:

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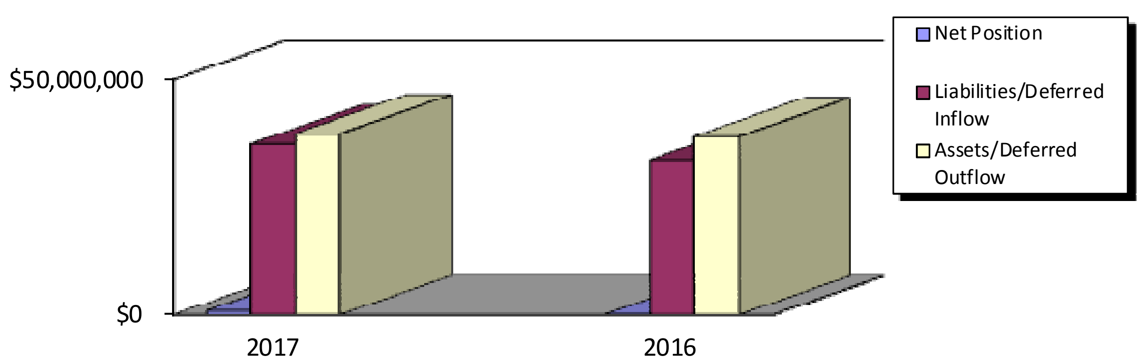
Table 1
Net Position

	Governmental Activities	
	2017	2016
Assets:		
Current and Other Assets	$13,300,844	$11,819,875
Capital Assets	24,980,132	26,057,080
Total Assets	38,280,976	37,876,955
Deferred Outflows of Resources:		
Deferred Charge on Refunding	34,025	45,361
Pension	4,191,759	2,636,421
Total Deferred Outflows of Resources	4,225,784	2,681,782
Liabilities:		
Other Liabilities	1,564,241	1,570,377
Long-Term Liabilities	35,007,587	31,362,114
Total Liabilities	36,571,828	32,932,491
Deferred Inflows of Resources:		
Property Taxes	4,974,369	5,111,351
Gain in Refunding	233,312	0
Pension	173,759	2,368,759
Total Deferred Inflows of Resources	5,381,440	7,480,110
Net Position:		
Net Investment in Capital Assets	12,674,042	13,691,832
Restricted	2,958,883	2,519,529
Unrestricted	(15,079,433)	(16,065,226)
Total Net Position	$553,492	$146,135



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows exceeded liabilities and deferred inflows by $553,492.

At year-end, capital assets represented 65% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2017, was $12,674,042. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, $2,958,883 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets increased from the prior year mainly due to the increase in current and other assets. Long-term liabilities increased from the prior year mainly due to the increase in net pension liability.

Table 2 shows the changes in net position for fiscal years 2017 and 2016.

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Table 2
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues		
Charges for Services	$1,324,436	$1,363,371
Operating Grants, Contributions	2,116,839	2,059,490
General Revenues:		
Income Taxes	1,123,654	1,069,151
Property Taxes	5,309,193	5,371,684
Grants and Entitlements	8,518,673	7,926,962
Other	129,723	125,566
Total Revenues	18,522,518	17,916,224
Program Expenses:		
Instruction	10,097,398	9,134,133
Support Services:		
Pupil and Instructional Staff	1,349,944	1,263,846
School Administrative, General Administration, Fiscal and Business	1,594,218	1,420,866
Operations and Maintenance	1,685,772	1,630,321
Pupil Transportation	1,113,275	1,202,235
Central	332,948	286,922
Operation of Non-Instructional Services	794,862	686,189
Extracurricular Activities	547,732	543,458
Interest and Fiscal Charges	599,012	776,900
Total Program Expenses	18,115,161	16,944,870
Change in Net Position	407,357	971,354
Net Position - Beginning of Year	146,135	(825,219)
Net Position - End of Year	$553,492	$146,135

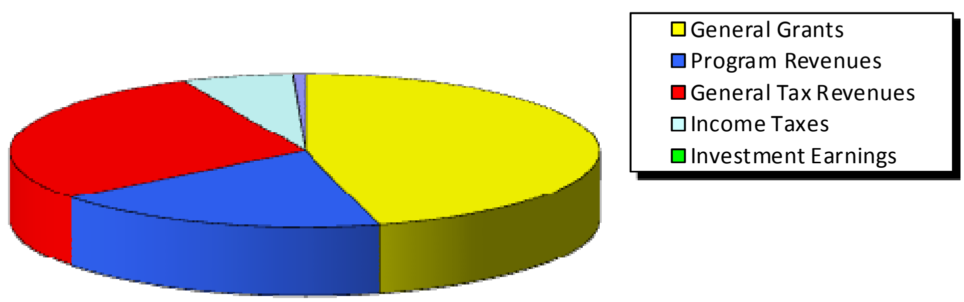
The District revenues are mainly from two sources. Property taxes levied for general, debt service and capital projects purposes and grants and entitlements comprised 75% of the District's revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 29% of revenue for governmental activities for the District in fiscal year 2017.

Governmental Activities
Revenue Sources

	2017	Percentage
General Grants	$8,518,673	45.99%
Program Revenues	3,441,275	18.58%
General Tax Revenues	5,309,193	28.66%
Income Taxes	1,123,654	6.07%
Investment Earnings	8,200	0.04%
Other Revenues	121,523	0.66%
Total Revenue Sources	$18,522,518	100.00%



Instruction comprises 55% of governmental program expenses. Support services expenses were 34% of governmental program expenses. All other expenses including interest and fiscal charges were 11%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District's overall financial position improved from 2016 to 2017. Operating Grants, Contributions increased due to an increase in grant monies received in fiscal year 2017.

Governmental Activities

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

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Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	$10,097,398	$9,134,133	($7,616,428)	($6,659,251)
Support Services:				
Pupil and Instructional Staff	1,349,944	1,263,846	(1,344,544)	(1,257,091)
School Administrative, General				
Administration, Fiscal and Business	1,594,218	1,420,866	(1,594,218)	(1,419,720)
Operations and Maintenance	1,685,772	1,630,321	(1,648,185)	(1,593,306)
Pupil Transportation	1,113,275	1,202,235	(1,088,516)	(1,175,551)
Central	332,948	286,922	(332,948)	(286,922)
Operation of Non-Instructional Services	794,862	686,189	(7,743)	71,628
Extracurricular Activities	547,732	543,458	(442,292)	(424,896)
Interest and Fiscal Charges	599,012	776,900	(599,012)	(776,900)
Total Expenses	$18,115,161	$16,944,870	($14,673,886)	($13,522,009)

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the General Fund comprised $8,970,478 (67%) and the Debt Service Fund comprised $1,729,041 (13%) of the total $13,393,112 governmental funds' assets.

General Fund: Fund balance at June 30, 2017 was $3,610,409 including $3,551,965 of unassigned balance. The District had an increase in fund balance of $1,096,567. The increase in fund balance was due to an increase in intergovernmental revenues in 2017 compared to 2016.

Debt Service Fund: Fund balance at June 30, 2017 was $967,540 with an increase in fund balance of $170,334. The fund balance increase over 2016 was due mainly to a decrease in interest and fiscal charges in 2017.

General Fund Budgeting Highlights

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

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

For the General Fund, final budget basis revenue was $15,052,486, compared to original budget estimates of $14,977,721. Of this $74,765 difference, most was due to underestimating taxes and intergovernmental revenues in the original budget.

The District's unobligated cash balance for the General Fund was $4,234,696.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had $24,980,132 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

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

	Governmental Activities	
	2017	2016
Land	$290,152	$290,152
Land Improvements	2,079,285	2,079,285
Buildings and Improvements	35,628,539	35,628,539
Furniture and Equipment	3,692,038	3,677,717
Vehicles	37,732	37,732
Less: Accumulated Depreciation	(16,747,614)	(15,656,345)
Total Net Capital Assets	$24,980,132	$26,057,080

Total Net Capital Assets decreased in 2017 as compared to 2016 because depreciation expense was greater than current year additions.

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

Debt

At June 30, 2017, the District had $12,230,962 in debt outstanding, $806,296 due within one year. Table 5 summarizes total debt outstanding.

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Table 5
Outstanding Debt at Year End

	2017	2016
General Obligation Bonds Payable:		
2016 Refunding Bonds	$8,805,000	$0
Premium on 2016 Refunding Bonds	601,409	0
2000 General Obligation Bond	65,499	93,234
2006 General Obligation Bond	0	7,408,587
2006 Capital Appreciation Bonds - Principal Only	0	48,393
2007 General Obligation Bond	0	1,700,000
Premium on General Obligation Bond	0	420,264
Accretion on Capital Appreciation Bonds	0	387,732
Capital Leases Payable:		
Capital Leases OASBO HS	2,394,000	2,540,000
Capital Leases OASBO Buses	27,000	53,000
Capital Leases Copier	0	38,680
Capital Leases Apple	51,895	108,451
Capital Leases Apple	124,159	0
Capital Leases Copier	162,000	0
Total Outstanding Debt at Year End	$12,230,962	$12,798,341

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

Economic Outlook

2017 began with markets optimistic about the new president's plans to boost economic growth. But by mid-year, market expectations about tax cuts and infrastructure spending have changed due to the Trump Administration and Congress struggling to come to a consensus. As a result, the probability of these programs being implemented in 2017 is shrinking.

This time last year the Federal Reserve forecasted that the unemployment rate would fall between 5.0% - 4.7% in 2016. Then expected it to fall to 4.6% in 2017. As of June 2017 the US Unemployment rate was 4.4%, down from the 5.0% rate in June 2016. The U.S. unemployment measures the number of people actively looking for a job as a percentage of the labor force. In the second quarter of 2017 employment conditions were strong in the United States, showing overall payroll increases. According to market analysts, labor flows data indicated that an increasing number of people who were not in the labor force obtained employment in June. The state of Ohio unemployment rate in July 2016 was 4.9% and as of June 2017, the state of Ohio unemployment rate remains 4.9%, though there was some fluctuations over the past 12 months.

The current Public school district funding uses a combination of state aid through the foundation program, local sources such as property taxes, income taxes (in some districts) and federal funds. The amount of state aid funds that the District receives is based on a formula that takes into consideration the student enrollment and property wealth of the district. Payments to school districts are calculated from data reported by the district and are made twice each month according to a schedule published each spring by the Ohio Department of Education. Since the data are updated throughout the year, the annual amount due to the district is calculated for each payment and the district receives approximately 1/24th of the annual amount. These payments were based on provisions of Am. Sub. H. B. 64 of the 131st General Assembly for fiscal year 2016 and 2017. The state aid received by the District comprises approximately 56% of the District's budget. Fiscal Year 2017 state aid revenue for the district exceeded fiscal year 2016 by $680,327.

On June 30, 2017, Ohio Governor John Kasich signed into law the biennial budget bill, Amended Substitute House Bill No. 49 ("HB 49"). The biennial budget covers fiscal years 2018 and 2019. Prior to signing the bill, the Governor utilized his line-item veto authority on 47 different provisions, with several impacting primary and secondary education. With the veto of these provisions, school districts will continue to be burdened with unnecessary mandates and revenue losses out into the future. On July 6, the Ohio House returned to session and did override some of the governor's vetoes but none that involved K-12 education. The legislature has until the end of the current two-year General Assembly session, which runs through Dec. 31, 2018, to override a veto.

The District is also heavily dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. New construction and new levies also contribute to growth of this revenue. With the collapse of real estate values in 2009, the District lost its primary source of revenue growth (i.e. inflation of the tax base). In addition, the 2011 reappraisal values resulted in a continued decrease in property values. The most recent reappraisal was completed in 2014, and represents an important factor for future District funding. The 2014 reappraisal saw on overall net decrease in valuation for the District. Residential and Commercial values decreased while Agriculture values (CAUV) increased. Public Utilities increased slightly. The district saw an overall 1.34% decrease in tax revenue for fiscal year 2017.

Management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. The current emergency levy generates $1,100,000 operating revenue for the District and enables the district to avoid an operating deficit.

The District also receives a .5% income tax from residents. Over the past year, the unemployment rate in Ohio has remained flat from 4.9% in June 2016 to 4.9% in June of 2017. Though flat, the District experienced a 5.5% increase in the income tax revenue in fiscal year 2017 compared to fiscal year 2016. It is expected that as the overall economy continues its recovery, the income tax will also continue to increase.

Contacting the District's Financial Management

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

Madison Local School District, Ohio
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	$7,354,195
Receivables (Net):	
Taxes	5,800,078
Accounts	28,362
Intergovernmental	86,740
Prepaid	26,769
Inventory	4,700
Nondepreciable Capital Assets	290,152
Depreciable Capital Assets, Net	24,689,980
Total Assets	38,280,976
Deferred Outflows of Resources:	
Deferred Charge on Refunding	34,025
Pension	4,191,759
Total Deferred Outflows of Resources	4,225,784
Liabilities:	
Accounts Payable	108,725
Accrued Wages and Benefits	1,414,316
Accrued Interest Payable	41,200
Long-Term Liabilities:	
Due Within One Year	831,696
Due In More Than One Year:	
Net Pension Liability	22,622,673
Other Amounts	11,553,218
Total Liabilities	36,571,828
Deferred Inflows of Resources:	
Property Taxes	4,974,369
Deferred Gain on Refunding	233,312
Pension	173,759
Total Deferred Inflows of Resources	5,381,440
Net Position:	
Net Investment in Capital Assets	12,674,042
Restricted for:	
Food Service	865,051
Debt Service	991,950
Classroom Facilities Maintenance	554,363
Federal Grants	425
Capital Projects	503,299
District Managed Activities	19,250
Other Purposes	24,545
Unrestricted	(15,079,433)
Total Net Position	$553,492

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$7,370,444	$755,773	$390,747	($6,223,924)
Special	1,993,258	50,061	1,254,651	(688,546)
Vocational	2,632	0	29,738	27,106
Other	731,064	0	0	(731,064)
Support Services:				
Pupil	930,479	0	0	(930,479)
Instructional Staff	419,465	0	5,400	(414,065)
General Administration	116,751	0	0	(116,751)
School Administration	1,241,532	0	0	(1,241,532)
Fiscal	235,735	0	0	(235,735)
Business	200	0	0	(200)
Operations and Maintenance	1,685,772	12,194	25,393	(1,648,185)
Pupil Transportation	1,113,275	0	24,759	(1,088,516)
Central	332,948	0	0	(332,948)
Operation of Non-Instructional Services	794,862	400,968	386,151	(7,743)
Extracurricular Activities	547,732	105,440	0	(442,292)
Interest and Fiscal Charges	599,012	0	0	(599,012)
Totals	$18,115,161	$1,324,436	$2,116,839	(14,673,886)

General Revenues:	
Income Taxes	1,123,654
Property Taxes Levied for:	
General Purposes	3,926,991
Debt Service Purposes	877,311
Capital Projects Purposes	504,891
Grants and Entitlements, Not Restricted	8,518,673
Unrestricted Contributions	5,000
Investment Earnings	8,200
Refunds and Reimbursements	14,336
Other Revenues	102,187
Total General Revenues	15,081,243
Change in Net Position	407,357
Net Position - Beginning of Year	146,135
Net Position - End of Year	$553,492

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	$4,335,361	$943,165	$2,075,669	$7,354,195
Receivables (Net):				
Taxes	4,483,236	785,876	530,966	5,800,078
Accounts	25,489	0	2,873	28,362
Intergovernmental	12,878	0	73,862	86,740
Interfund	89,585	0	2,683	92,268
Prepaid	23,929	0	2,840	26,769
Inventory	0	0	4,700	4,700
Total Assets	8,970,478	1,729,041	2,693,593	13,393,112
Liabilities:				
Accounts Payable	88,269	0	20,456	108,725
Accrued Wages and Benefits	1,268,647	0	145,669	1,414,316
Compensated Absences	0	0	4,383	4,383
Interfund Payable	0	0	92,268	92,268
Total Liabilities	1,356,916	0	262,776	1,619,692
Deferred Inflows of Resources:				
Property Taxes	4,003,153	761,501	515,935	5,280,589
Grants and Other Taxes	0	0	2,305	2,305
Total Deferred Inflows of Resources	4,003,153	761,501	518,240	5,282,894
Fund Balances:				
Nonspendable	23,929	0	2,840	26,769
Restricted	0	967,540	1,947,619	2,915,159
Assigned	34,515	0	0	34,515
Unassigned	3,551,965	0	(37,882)	3,514,083
Total Fund Balances	3,610,409	967,540	1,912,577	6,490,526
Total Liabilities, Deferred Inflows and Fund Balances	$8,970,478	$1,729,041	$2,693,593	$13,393,112

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balance		$6,490,526
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		24,980,132
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	306,220	
Intergovernmental	2,305	
		308,525
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(41,200)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(149,569)
Deferred charges for bond refunding losses and gains are not recognized in the governmental funds, whereas they are capitalized and amortized for net position		
Deferred charge on refunding	34,025	
Deferred gain on refunding	(233,312)	
		(199,287)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	4,191,759	
Deferred inflows of resources related to pensions	(173,759)	
		4,018,000
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(22,622,673)	
Other Amounts	(12,230,962)	
		(34,853,635)
Net Position of Governmental Activities		$553,492

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	$3,843,003	$856,211	$494,341	$5,193,555
Income Taxes	1,041,817	0	81,837	1,123,654
Tuition and Fees	732,959	0	0	732,959
Investment Earnings	3,721	0	4,479	8,200
Intergovernmental	9,342,985	145,984	1,144,326	10,633,295
Extracurricular Activities	56,727	0	83,884	140,611
Charges for Services	38,296	0	404,920	443,216
Other Revenues	42,249	0	86,924	129,173
Total Revenues	15,101,757	1,002,195	2,300,711	18,404,663
Expenditures:				
Current:				
Instruction:				
Regular	5,732,201	0	681,948	6,414,149
Special	1,583,371	0	328,193	1,911,564
Other	731,064	0	0	731,064
Support Services:				
Pupil	908,646	0	654	909,300
Instructional Staff	382,089	0	14,892	396,981
General Administration	116,306	0	0	116,306
School Administration	1,044,241	0	56,807	1,101,048
Fiscal	217,287	0	6,000	223,287
Business	200	0	0	200
Operations and Maintenance	1,400,065	0	60,953	1,461,018
Pupil Transportation	1,113,062	0	213	1,113,275
Central	307,305	11,613	7,084	326,002
Operation of Non-Instructional Services	57,861	0	703,418	761,279
Extracurricular Activities	391,492	0	114,466	505,958
Capital Outlay	0	0	9,639	9,639
Debt Service:				
Principal Retirement	0	86,128	349,090	435,218
Interest and Fiscal Charges	0	854,990	126,525	981,515
Total Expenditures	13,985,190	952,731	2,459,882	17,397,803
Excess of Revenues Over (Under) Expenditures	1,116,567	49,464	(159,171)	1,006,860
Other Financing Sources (Uses):				
Proceeds of Capital Leases	0	0	368,013	368,013
Refunding of Bonds Issued	0	8,805,000	0	8,805,000
Premium on Refunding Bonds Issued	0	601,409	0	601,409
Payment to Refunded Bond Escrow Agent	0	(9,285,539)	0	(9,285,539)
Transfers In	0	0	20,000	20,000
Transfers (Out)	(20,000)	0	0	(20,000)
Total Other Financing Sources (Uses)	(20,000)	120,870	388,013	488,883
Net Change in Fund Balance	1,096,567	170,334	228,842	1,495,743
Fund Balance - Beginning of Year	2,513,842	797,206	1,683,735	4,994,783
Fund Balance - End of Year	$3,610,409	$967,540	$1,912,577	$6,490,526

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balance - Total Governmental Funds		$1,495,743
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	22,603	
Depreciation Expense	(1,097,869)	
		(1,075,266)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.		(1,682)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activites, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions	1,134,708	
Cost of benefits earned net of employee contrbutions	(1,575,074)	
		(440,366)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	115,638	
Intergovernmental	2,217	
		117,855
In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.		
Refunding Bonds	(8,805,000)	
Deferred Gain on Refunding	(233,312)	
Bonds Advance Refunded	9,098,587	
Premium on Bonds Issued	(601,409)	
		(541,134)
Repayment of bond and lease principal and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		868,238
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		6,107
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(17,765)	
Amortization of Bond Premium	420,264	
Amortization of Deferred Charge on Refunding	(11,336)	
Bond Accretion	(45,288)	
		345,875
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		(368,013)
Change in Net Position of Governmental Activities		$407,357

See accompanying notes to the basic financial statements.

Madison Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2017

	Agency
Assets:	
Equity in Pooled Cash and Investments	$46,353
Receivables (Net):	
Accounts	2,038
Total Assets	48,391
Liabilities:	
Other Liabilities	48,391
Total Liabilities	$48,391

See accompanying notes to the basic financial statements.

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Note 1 - Summary of Significant Accounting Policies

Description of the District

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

The District is governed by a locally elected five-member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by 74 noncertified and 112 certified teaching personnel providing education to 1,584 students.

Reporting Entity

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

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

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

Measurement Focus

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Fiduciary funds are reported using the economic resources measurement focus.

Fund Accounting

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

The following fund types are used by the District:

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

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

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

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

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to a deferred charge on refunding and pension are reported on the government-wide statements of net position. For more pension related information, see Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, deferred gain on refunding, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Deferred gain on refunding has been recorded as deferred inflows on the government-wide statement of net position. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. For more pension related information, see Note 8.

Unearned Revenue

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

Expenses/Expenditures

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

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

Cash and Cash Equivalents

Cash and cash equivalents includes all demand deposits and investments.

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

Investments

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

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

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, the Board of Education has, by resolution, specified the funds to receive allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 totaled $3,721 and $4,479 was credited to other funds of the District.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current fiscal period are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. There was $26,769 in prepaid items at June 30, 2017.

Capital Assets and Depreciation

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

Property, Plant and Equipment - Governmental Activities

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

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

Depreciation

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

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

Long-Term Obligations

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

Obligation	Fund
General Obligation Bonds	Debt Service Fund
Capital Leases	Permanent Improvement Fund
Compensated Absences	General Fund and Food Services Fund

Pensions

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

Compensated Absences

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

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

SICK LEAVE			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	328 days	328 days	328 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/4 paid upon retirement	1/4 paid upon retirement	1/4 paid upon retirement

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

Net Position

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

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

Interfund Transactions

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

Fund Balance

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

> Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to

be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

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

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

Estimates

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

Note 2 - Cash, Cash Equivalents and Investments

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

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

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

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

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

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

Deposits

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

At year end the carrying amount of the District's deposits was $4,716,356 and the bank balance was $4,733,373. The Federal Deposit Insurance Corporation (FDIC) covered $250,928 of the bank balance and $4,482,445 was uninsured.

Investments

As of June 30, 2017, the District had the following investments:

	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Federal National Mortgage Association - Discount	$821,540	Level 2	2.39
Federal Home Loan Mortgage	243,802	Level 2	3.16
Federal Home Loan Bank	346,763	Level 2	2.58
Federal Farm Credit Bank	620,739	Level 2	2.47
Commercial Paper	254,638	Level 2	0.12
U.S. Treasury Notes	217,954	Level 1	2.77
STAR Ohio	161,685	N/A	0.12
Money Market Funds	17,071	N/A	0.00
Total Investment	$2,684,192		
Portfolio Weighted Average Maturity			2.22

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2017. STAR Ohio is reported at its share price (Net Asset value per share).

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S.

Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal National Mortgage Assoc. – Discount, Federal Home Loan Mortgage, Federal Home Loan Bank, Federal Farm Credit Bank, Treasury Notes were rated AAA by Standard & Poor's and Fitch ratings and Aaa by Moody's Investors Service. The District's investments in Commercial Paper were rated A-1+ by Standard & Poor's ratings and P-1 by Moody's Investors Service. Investments in Star Ohio were rated AAAm by Standard and Poor's. Investments in Money Market Funds were not rated.

Concentration of Credit Risk – The District's investment policy allows investments in U.S. Agencies or Instrumentalities. The District has invested 31% in Federal National Mortgage Association – Discount, 9% in Federal Home Loan Mortgage, 13% in Federal Home Loan Bank, 23% Federal Farm Credit Bank, 9% in Commercial Paper, 8% in Treasury Notes, 6% in Star Ohio, and 1% in Money Market Funds.

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

Note 3 – Taxes

Property Tax

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2011, were levied after April 1, 2014 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Butler County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2017 receipts were based are:

	Amount
Agricultural/Residential	
and Other Real Estate	$151,503,850
Public Utility Personal	4,574,590
Total	$156,078,440

Income Tax

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

Note 4 – Receivables

Receivables at June 30, 2017 consisted of taxes, accounts, intergovernmental and interfund receivables.

Note 5 - Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$290,152	$0	$0	$290,152
Capital Assets, being depreciated:				
Land Improvements	2,079,285	0	0	2,079,285
Buildings and Improvements	35,628,539	0	0	35,628,539
Furniture and Equipment	3,677,717	22,603	8,282	3,692,038
Vehicles	37,732	0	0	37,732
Totals at Historical Cost	41,713,425	22,603	8,282	41,727,746
Less Accumulated Depreciation:				
Land Improvements	1,483,362	97,899	0	1,581,261
Buildings and Improvements	10,945,463	880,922	0	11,826,385
Furniture and Equipment	3,197,827	118,347	6,600	3,309,574
Vehicles	29,693	701	0	30,394
Total Accumulated Depreciation	15,656,345	1,097,869	6,600	16,747,614
Governmental Activities Capital Assets, Net	$26,057,080	($1,075,266)	$1,682	$24,980,132

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	$703,061
Special	6,333
Vocational	2,632
Support Services:	
Pupils	6,638
Instructional Staff	16,045
School Administration	96,437
Fiscal	2,361
Operations & Maintenance	207,408
Central	3,294
Operation of Non-Instructional Services	28,274
Extracurricular Activities	25,386
Total Depreciation Expense	$1,097,869

Note 6 - Long-Term Debt and Other Obligations

Detail of the changes in long-term debt and other long-term obligations of the District for the year ended June 30, 2017 are as follows:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental Activities:						
Bonds						
2016 Refunding Bonds	1.50-3.00%	$0	$8,805,000	$0	$8,805,000	$525,000
Premium on 2016 Refunding Bonds	0.00%	0	601,409	0	601,409	0
2000 General Obligation Bond	4.5-5.60%	93,234	0	27,735	65,499	24,547
2006 General Obligation Bond	4.0-4.05%	7,408,587	0	7,408,587	0	0
2006 Capital Appreciation Bonds - Principal Only	4.0-4.125%	48,393	0	48,393	0	0
2007 General Obligation Bond	4.0-4.125%	1,700,000	0	1,700,000	0	0
Premium on General Obligation Bond		420,264	0	420,264	0	0
Accretion on Capital Appreciation Bonds		387,732	45,288	433,020	0	0
Subtotal Bonds		10,058,210	9,451,697	10,037,999	9,471,908	549,547
Capital Leases		2,740,131	368,013	349,090	2,759,054	256,749
Compensated Absences		131,804	37,503	15,355	153,952	25,400
Subtotal Bonds and Other Amounts		12,930,145	9,857,213	10,402,444	12,384,914	831,696
Net Pension Liability:						
STRS		14,777,331	3,051,786	0	17,829,117	0
SERS		3,654,641	1,138,915	0	4,793,556	0
Subtotal Net Pension Liability		18,431,972	4,190,701	0	22,622,673	0
Total Long-Term Obligations		$31,362,117	$14,047,914	$10,402,444	$35,007,587	$831,696

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

Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2017 follows:

Fiscal Year	General Obligation Bonds		
Ending June 30	Principal	Interest	Total
2018	$549,547	$384,152	$933,699
2019	636,725	374,325	1,011,050
2020	654,227	273,550	927,777
2021	860,000	169,688	1,029,688
2022	910,000	156,413	1,066,413
2023-2027	5,260,000	389,570	5,649,570
Total	$8,870,499	$1,747,698	$10,618,197

Advance Refunding

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

Note 7 - Capital Lease Commitments

The District is obligated under five leases accounted for as capital leases. The cost of the leased assets (buses, computers, copiers, administration building and high school project) are accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Long-Term Liabilities. The original cost of the assets under capital lease was $3,761,509.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30	Capital Leases
2018	$379,659
2019	299,018
2020	234,836
2021	235,279
2022	216,489
2023-2027	989,849
2028-2032	981,423
2033-2037	777,648
Total Minimum Lease Payments	$4,114,201
Amount Representing Interest and Additional program cost component	(1,355,147)
Present Value of Minimum Lease Payments	$2,759,054

Note 8 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or $86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the employer is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was $302,652 for fiscal year 2017. Of this amount $53,687 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The employer was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was $832,056 for fiscal year 2017. Of this amount $131,740 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$4,793,556	$17,829,117	$22,622,673
Proportion of the Net Pension Liability	0.06549400%	0.05326415%	
Pension Expense	441,147	1,133,927	1,575,074

At June 30, 2017, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$64,654	$720,382	$785,036
Changes of assumptions	319,995	0	319,995
Net difference between projected and actual earnings on pension plan investments	395,399	1,480,296	1,875,695
Changes in employer proportionate share of net pension liability	76,325	0	76,325
Contributions subsequent to the measurement date	302,652	832,056	1,134,708
Total Deferred Outflows of Resources	$1,159,025	$3,032,734	$4,191,759
Deferred Inflows of Resources			
Changes in employer proportionate share of net pension liability	$0	$173,759	$173,759
Total Deferred Inflows of Resources	$0	$173,759	$173,759

$1,134,708 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2018	$224,781	$294,392	$519,173
2019	224,496	294,392	518,888
2020	293,435	862,423	1,155,858
2021	113,661	575,712	689,373
2022	0	0	0
Total	$856,373	$2,026,919	$2,883,292

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50-18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$6,346,370	$4,793,556	$3,493,787

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	$23,693,447	$17,829,117	$12,882,208

Changes Between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the net pension liability is expected to be significant.

Note 9 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were $0, $0, and $47,076, respectively.

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

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

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0, $0, and $0, respectively.

Note 10 - Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2017.

Note 11 - Jointly Governed Organization

The Southwest Ohio Computer Association (SWOCA), a jointly governed organization, was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the four county consortium supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of one representative from each four districts plus one representative from the fiscal agent. The degree of control exercised by any participating school district is limited to its representation on the Board. During the 2017 fiscal year the District paid $89,133 to SWOCA for services. To obtain financial information, write to the Southwestern Ohio Computer Association, at 3611 Hamilton-Middletown, Hamilton, Ohio 45011.

Note 12 - Risk Management

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

Note 13 – Compliance and Accountability

Fund Deficits

The fund deficits at June 30, 2017 are listed below:

Fund	Deficit
Other Governmental Funds:	
IDEA, Part B Special Education	$13,295
Title I	10,473
Drug-Free Schools	406
Improving Teacher Quality	11,553
	$35,727

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

Note 14 - Statutory Reserves

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

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

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2016	$0
Current Year Set Aside Requirements	277,945
Qualified Disbursements	(232,464)
Current Year Offsets	(45,481)
Set Aside Reserve Balance as of June 30, 2017	$0
Restricted Cash as of June 30, 2017	$0
Carried Forward as of June 30, 2017	$0

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

Note 15 - Interfund Balances

Following is a summary of interfund receivables/payables and transfers in/out for all funds at June 30, 2017:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	$89,585	$0	$0	$20,000
Other Governmental Funds	2,683	92,268	20,000	0
Total All Funds	$92,268	$92,268	$20,000	$20,000

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

Note 16 – Fund Balances

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Prepaid	$23,929	$0	$2,840	$26,769
Total Nonspendable	23,929	0	2,840	26,769
Restricted for:				
Special Trust	0	0	4,652	4,652
Classroom Facilities Maintenance	0	0	554,363	554,363
Building	0	0	10,895	10,895
Other Grants	0	0	19,893	19,893
Food Service	0	0	864,366	864,366
Debt Service Payments	0	967,540	0	967,540
Athletic	0	0	19,250	19,250
Permanent Improvement	0	0	474,200	474,200
Total Restricted	0	967,540	1,947,619	2,915,159
Assigned to:				
Encumbrances	26,910	0	0	26,910
Public School	7,605	0	0	7,605
Total Assigned	34,515	0	0	34,515
Unassigned (Deficit)	3,551,965	0	(37,882)	3,514,083
Total Fund Balance	$3,610,409	$967,540	$1,912,577	$6,490,526

Note 17 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units – An Amendment of GASB No. 14.*

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

Note 18 – Contingencies

School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.05326415%	0.05346923%	0.05421090%	0.05421090%
District's Proportionate Share of the Net Pension Liability	$17,829,117	$14,777,331	$13,185,967	$15,663,668
District's Covered-Employee Payroll	$5,810,057	$5,485,464	$5,956,708	$5,671,826
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	306.87%	252.40%	226.80%	276.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2014 is not available

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.06549400%	0.06404800%	0.06355100%	0.06355100%
District's Proportionate Share of the Net Pension Liability	$4,793,556	$3,654,641	$3,216,280	$3,750,613
District's Covered-Employee Payroll	$1,818,521	$1,752,473	$1,865,317	$1,331,535
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	263.60%	200.53%	173.18%	281.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) - Information prior to 2014 is not available

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

Madison Local School District
Required Supplementary Information
Schedule of District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$832,056	$813,408	$767,964	$774,372	$795,552	$814,284	$834,192	$849,060	$833,100	$823,944
Contributions in Relation to the Contractually Required Contribution	(832,056)	(813,408)	(767,964)	(774,372)	(795,552)	(814,284)	(834,192)	(849,060)	(833,100)	(823,944)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
District Covered-Employee Payroll	$5,943,257	$5,810,057	$5,485,464	$5,956,708	$5,671,826	$5,885,520	$6,105,021	$6,045,237	$6,042,283	$5,845,560
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	14.03%	13.84%	13.66%	14.05%	13.79%	14.10%

Madison Local School District
Required Supplementary Information
Schedule of District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$302,652	$254,593	$230,976	$258,533	$238,032	$351,984	$370,128	$292,404	$269,772	$246,288
Contributions in Relation to the Contractually Required Contribution	(302,652)	(254,593)	(230,976)	(258,533)	(238,032)	(351,984)	(370,128)	(292,404)	(269,772)	(246,288)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
District Covered-Employee Payroll	$2,161,800	$1,818,521	$1,752,473	$1,865,317	$1,331,535	$1,379,682	$1,586,001	$1,769,394	$1,729,230	$1,670,357
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	17.88%	25.51%	23.34%	16.53%	15.60%	14.74%

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	$4,913,417	$4,937,944	$4,939,329	$1,385
Tuition and Fees	672,764	676,122	676,312	190
Investment Earnings	24,222	24,343	24,350	7
Intergovernmental	9,303,162	9,349,601	9,352,224	2,623
Extracurricular Activities	22,032	22,142	22,148	6
Other Revenues	42,124	42,334	42,346	12
Total Revenues	14,977,721	15,052,486	15,056,709	4,223
Expenditures:				
Current:				
Instruction:				
Regular	5,889,371	5,962,172	5,719,250	242,922
Special	1,622,279	1,642,333	1,575,418	66,915
Other	757,313	766,674	735,437	31,237
Support Services:				
Pupil	937,969	949,564	910,875	38,689
Instructional Staff	376,977	381,637	366,088	15,549
General Administration	116,171	117,607	112,815	4,792
School Administration	1,062,493	1,075,627	1,031,802	43,825
Fiscal	224,417	227,191	217,934	9,257
Business	206	208	200	8
Operations and Maintenance	1,446,705	1,464,588	1,404,915	59,673
Pupil Transportation	1,226,826	1,241,992	1,191,388	50,604
Central	318,533	322,471	309,332	13,139
Operation of Non-Instructional Services	5,632	5,701	5,469	232
Extracurricular Activities	355,152	359,542	344,893	14,649
Total Expenditures	14,340,044	14,517,307	13,925,816	591,491
Excess of Revenues Over (Under) Expenditures	637,677	535,179	1,130,893	595,714
Other financing sources (uses):				
Advances In	69,385	69,731	69,751	20
Advances (Out)	(76,059)	(76,999)	(73,862)	3,137
Transfers (Out)	(20,595)	(20,849)	(20,000)	849
Total Other Financing Sources (Uses)	(27,269)	(28,117)	(24,111)	4,006
Net Change in Fund Balance	610,408	507,062	1,106,782	599,720
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	3,127,914	3,127,914	3,127,914	0
Fund Balance - End of Year	$3,738,322	$3,634,976	$4,234,696	$599,720

See accompanying notes to the required supplemental information.

Note 1 - Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2017.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

Net Change in Fund Balance

	General Fund
GAAP Basis	$1,096,567
Revenue Accruals	(45,048)
Expenditures Accruals	92,418
Advances In	69,751
Advances (Out)	(73,862)
Encumbrances	(34,608)
Funds Budgeted Elsewhere	1,564
Budget Basis	$1,106,782

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MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR *Pass Through Grantor* **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**	**Non-Cash Distributions**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Nutrition Cluster				
National School Lunch Program - Food Distribution	10.555	N/A		47,928
National School Lunch Program	10.555	3L60	258,458	
School Breakfast Program	10.553	3L70	69,224	
Total Nutrition Cluster			327,682	47,928
Total U.S. Department of Agriculture			**327,682**	**47,928**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Title I, Part A:				
Title I Grants to Local Educational Agencies	84.010	3M00	289,012	
Total Title I, Part A			289,012	
Passed Through Ohio Department of Education				
Special Education Cluster (IDEA, Part B):				
Special Education - Grants to States (IDEA, Part B)	84.027	3M20	301,634	
Special Education - Preschool Grants (IDEA Preschool)	84.173	3C50	2,437	
Total Special Education Cluster (IDEA, Part B)			304,071	
Passed Through Ohio Department of Education				
Improving Teacher Quality State Grants	84.367	3Y60	48,804	
Total Improving Teacher Quality State Grants			48,804	
Project SERV Immediate Services:				
School Emergency Response to Violence	84.184S	N/A	56,336	
			56,336	
Total U.S. Department of Education			**698,223**	
Total Expenditures of Federal Awards			**$1,025,905**	**$47,928**

The accompanying notes are an integral part of this schedule.

MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Madison Local School District (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - MATCHING REQUIREMENTS

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Madison Local School District, Butler County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 5, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

January 5, 2018

Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Madison Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Madison Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

January 5, 2018

MADISON LOCAL SCHOOL DISTRICT
BUTLER COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster (IDEA, Part B): CFDA #84.027 Special Education – Grants to State (IDEA, Part B)
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

MADISON LOCAL SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 30, 2018

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