

MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2023



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Board of Education
Madison Local School District
1379 Grace Street
Mansfield, Ohio 44905

We have reviewed the *Independent Auditor's Report* of Madison Local School District, Richland County, prepared by Julian & Grube, Inc., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Madison Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 26, 2024

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

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Independent Auditor's Report

Madison Local School District
Richland County
1379 Grace Street
Mansfield, Ohio 44905

To the Members of the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Madison Local School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Madison Local School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Madison Local School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Madison Local School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Madison Local School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit assets and liabilities and pension and other post-employment benefit contributions, listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023 on our consideration of the Madison Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Madison Local School District's 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 Madison Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 27, 2023

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The management's discussion and analysis of Madison Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- In total, net position decreased \$976,912. Net position of governmental activities decreased \$1,164,541, which represents a 7.42% decrease from 2022's restated net position. Net position of business-type activities increased \$187,629, which represents a 13.25% increase from 2022's net position.
- General revenues accounted for \$31,756,489 in revenue or 71.85% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,441,548 or 28.15% of total governmental activities revenues of \$44,198,037.
- The District had \$45,337,578 in expenses related to governmental activities; only \$12,441,548 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$31,756,489 were adequate enough to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$33,249,786 in revenues and \$36,290,832 in expenditures and other financing uses. The general fund's fund balance decreased \$3,041,046 from \$3,586,630 to \$545,584.
- The District's other major governmental fund is the bond retirement fund. The bond retirement fund had \$1,916,444 in revenues and \$1,184,683 in expenditures. The bond retirement fund's fund balance increased \$731,761 from \$2,599,661 to \$3,331,422.
- The District's major enterprise funds are the adult education fund and the preschool fund. The adult education fund had \$1,175,271 in operating revenues, non-operating revenues and transfers, and \$1,223,912 in operating expenses.
- The preschool fund had \$1,330,151 in operating revenues and non-operating revenues, and \$1,102,383 in operating expenses.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during fiscal year 2023?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses, using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The District's statement of net position and statement of activities can be found on pages 16 - 18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 19 - 23 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements closely resemble information provided in the statements for the District as a whole.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in custodial funds. All of the District's fiduciary activities are reported in separate statements (statement of fiduciary net position and statement of changes in fiduciary net position). These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information provides detailed information regarding the District's proportionate share of the net pension liability and net OPEB liability/asset of the retirement systems and a ten year schedule of District's contributions to the retirement systems to fund pension and OPEB obligations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2023 and June 30, 2022.

	Governmental Activities		Business-Type Activities		Total	
	2023	Restated 2022	2023	2022	2023	Restated 2022
Assets						
Current assets	\$ 24,401,520	\$ 26,990,429	\$ 519,715	\$ 269,389	\$ 24,921,235	\$ 27,259,818
Net OPEB asset	3,390,791	2,821,457	100,370	89,508	3,491,161	2,910,965
Capital assets, net	34,127,027	33,656,705	17,178	14,113	34,144,205	33,670,818
Total assets	61,919,338	63,468,591	637,263	373,010	62,556,601	63,841,601
Deferred outflows of resources	10,151,043	10,427,217	622,080	756,867	10,773,123	11,184,084
Liabilities						
Current liabilities	5,223,100	5,301,393	95,606	71,480	5,318,706	5,372,873
Long-term liabilities:						
Due within one year	324,717	292,578	6,005	9,927	330,722	302,505
Net pension liability	34,499,160	20,680,925	1,602,017	1,029,520	36,101,177	21,710,445
Net OPEB liability	1,426,457	1,893,689	195,985	258,108	1,622,442	2,151,797
Other amounts	27,015,402	27,281,758	23,776	11,714	27,039,178	27,293,472
Total liabilities	68,488,836	55,450,343	1,923,389	1,380,749	70,412,225	56,831,092
Deferred inflows of resources	20,446,112	34,145,491	564,246	1,165,049	21,010,358	35,310,540
Net Position						
Net investment in capital assets	9,356,666	8,550,152	17,178	14,113	9,373,844	8,564,265
Restricted	6,604,636	4,775,455	13,554	-	6,618,190	4,775,455
Unrestricted (deficit)	(32,825,869)	(29,025,633)	(1,259,024)	(1,430,034)	(34,084,893)	(30,455,667)
Total net position (deficit)	\$ (16,864,567)	\$ (15,700,026)	\$ (1,228,292)	\$ (1,415,921)	\$ (18,092,859)	\$ (17,115,947)

Net Pension Liability, Net OPEB Liability/Asset and Related Deferred Inflows and Outflows of Resources

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2023 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." The School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Analysis of Net Position

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2023, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$18,092,859. \$16,864,567 of this total is in the governmental activities and \$1,228,292 is in the business-type activities.

Capital assets reported on the government-wide statements represented 54.58% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets for governmental activities at June 30, 2023 was \$9,356,666. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of the outstanding balances of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

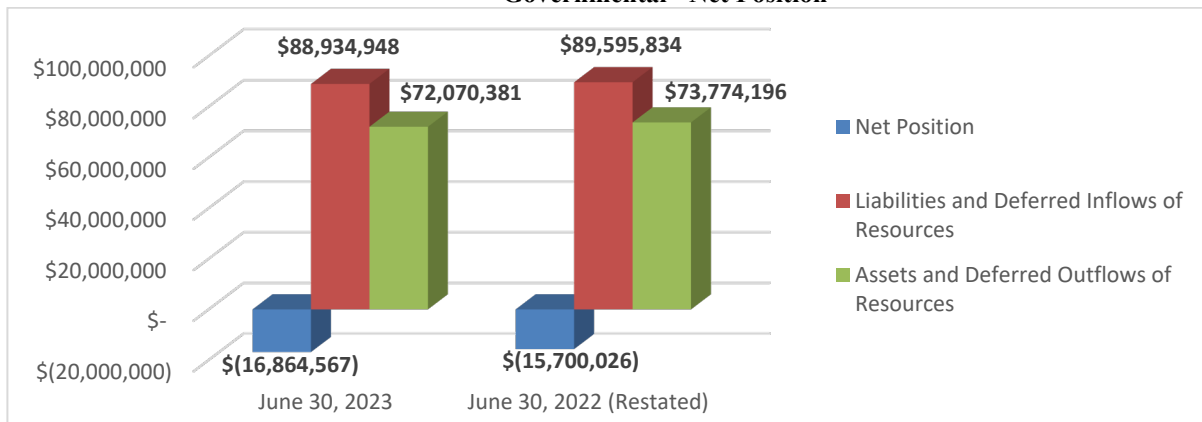
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The net pension liability increase and deferred inflows of resources decrease were the result of changes at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Primarily, net investment income on investments at both pension systems were negative for the fiscal year 2022 measurement date that are used for the fiscal year 2023 reporting. This caused a large decrease in their respective fiduciary net positions which was a drastic change from the previous fiscal year's large positive investment returns.

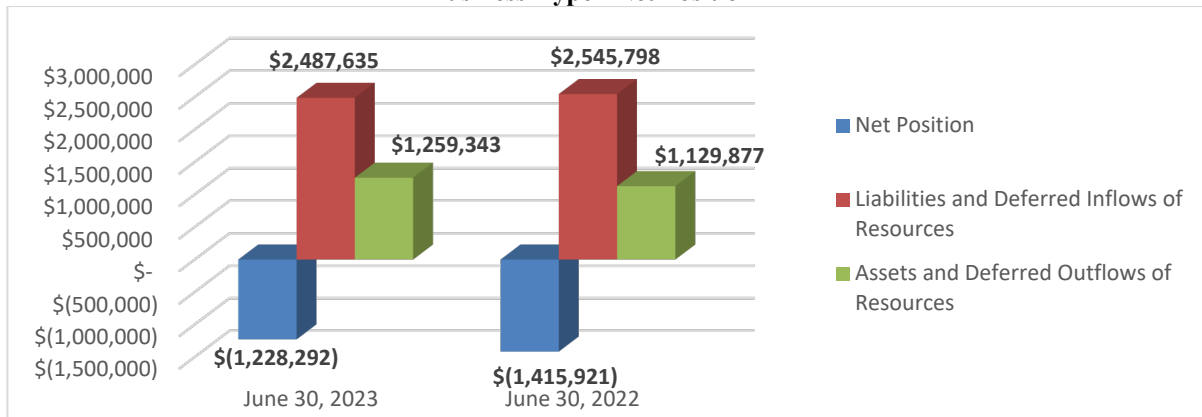
A portion of the District's net position, \$6,604,636, represents resources that are subject to external restriction on how they may be used. The remaining balance governmental activities of unrestricted net position is a deficit of \$32,825,869, which is caused by the reporting of the net pension and OPEB liability described above.

The graphs below present the District's governmental and business-type net position at June 30, 2023 and June 30, 2022.

Governmental - Net Position



Business-Type - Net Position



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The table below shows the change in net position for fiscal years 2023 and 2022.

Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,336,941	\$ 791,876	\$ 1,523,491	\$ 1,252,037	\$ 2,860,432	\$ 2,043,913
Operating grants and contributions	10,520,195	10,891,413	956,931	366,408	11,477,126	11,257,821
Capital grants and contributions	584,412	3,489	-	-	584,412	3,489
General revenues:						
Property taxes	13,922,365	14,664,409	-	-	13,922,365	14,664,409
Grants and entitlements, not restricted	17,389,262	17,486,600	-	-	17,389,262	17,486,600
Payments in lieu of taxes	226,654	257,870	-	-	226,654	257,870
Investment earnings	7,149	94,417	-	-	7,149	94,417
Change in fair value of investments	29,038	(463,824)	-	-	29,038	(463,824)
Gain on sale of capital assets	-	-	-	-	-	-
Miscellaneous	182,021	175,791	-	-	182,021	175,791
Total revenues	44,198,037	43,902,041	2,480,422	1,618,445	46,678,459	45,520,486
Expenses						
Program expenses:						
Instruction:						
Regular	16,982,130	15,844,971	-	-	16,982,130	15,844,971
Special	7,289,088	5,784,625	-	-	7,289,088	5,784,625
Vocational	3,194,435	2,688,240	-	-	3,194,435	2,688,240
Adult/continuing	141,228	261,245	-	-	141,228	261,245
Other	410,034	268,578	-	-	410,034	268,578
Support services:						
Pupil	2,251,060	1,928,030	-	-	2,251,060	1,928,030
Instructional staff	1,101,770	1,085,124	-	-	1,101,770	1,085,124
Board of education	33,040	53,141	-	-	33,040	53,141
Administration	3,284,793	2,977,758	-	-	3,284,793	2,977,758
Fiscal	844,401	720,295	-	-	844,401	720,295
Business	113,878	32,826	-	-	113,878	32,826
Operations and maintenance	3,713,223	3,364,469	-	-	3,713,223	3,364,469
Pupil transportation	1,900,664	1,753,970	-	-	1,900,664	1,753,970
Central	350,847	274,069	-	-	350,847	274,069
Operation of non-instructional services:						
Food service operations	1,514,525	1,279,927	-	-	1,514,525	1,279,927
Other non-instructional services	316,383	673,714	-	-	316,383	673,714
Extracurricular activities	884,008	741,179	-	-	884,008	741,179
Interest and fiscal charges	1,012,071	1,028,636	-	-	1,012,071	1,028,636
Adult education	-	-	1,215,410	751,617	1,215,410	751,617
Preschool	-	-	1,102,383	832,389	1,102,383	832,389
Total expenses	45,337,578	40,760,797	2,317,793	1,584,006	47,655,371	42,344,803
Transfers	(25,000)	(98,000)	25,000	98,000	-	-
Changes in net position	(1,164,541)	3,043,244	187,629	132,439	(976,912)	3,175,683
Net position (deficit) at beginning of year (restated)	(15,700,026)	(18,743,270)	(1,415,921)	(1,548,360)	(17,115,947)	(20,291,630)
Net position (deficit) at end of year	<u>\$ (16,864,567)</u>	<u>\$ (15,700,026)</u>	<u>\$ (1,228,292)</u>	<u>\$ (1,415,921)</u>	<u>\$ (18,092,859)</u>	<u>\$ (17,115,947)</u>

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Governmental Activities

The net position of the District’s governmental activities decreased \$1,164,541. Total governmental expenses of \$45,337,578 were offset by program revenues of \$12,441,548 and general revenues of \$31,756,489. Program revenues supported 27.44% of the total governmental expenses.

In the area of program revenues, capital grants and contributions increased, which is primarily attributable to school safety grant funding and school bus purchase grants received during fiscal 2023.

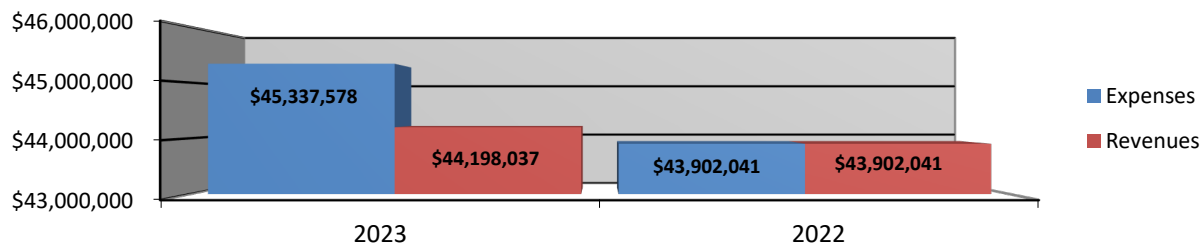
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 70.84% of total governmental revenue. Real estate property is reappraised every six years. Property taxes increased during the fiscal year as a result of a reappraisal update in Richland County in the 2022 tax year that started to be collected in fiscal year 2023.

The change in fair value of investments increased during the discal year as a result of market performance.

Overall, expenses of the governmental activities increased primarily as the result of an increase in pension expense. The increase in expenses incurred at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) due to a decrease in net investment income on investments compared to previous years.

The graph below presents the District’s governmental activities revenue and expenses for fiscal years 2023 and 2022.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2023 and 2022. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

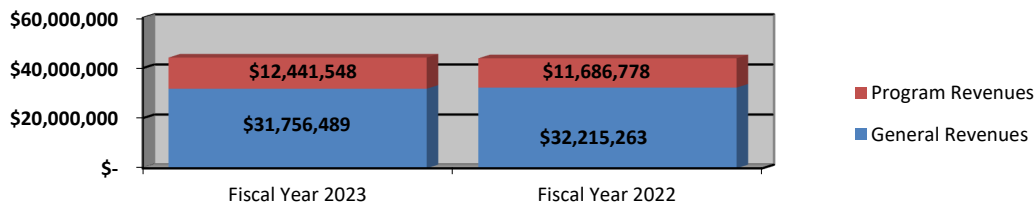
Governmental Activities

	Total Cost of Services <u>2023</u>	Net Cost of Services <u>2023</u>	Total Cost of Services <u>2022</u>	Net Cost of Services <u>2022</u>
Program expenses:				
Instruction:				
Regular	\$ 16,982,130	\$ 15,060,919	\$ 15,844,971	\$ 13,077,995
Special	7,289,088	3,532,046	5,784,625	2,294,818
Vocational	3,194,435	2,436,752	2,688,240	1,918,523
Adult/continuing	141,228	(4,780)	261,245	127,750
Other	410,034	383,459	268,578	268,578
Support services:				
Pupil	2,251,060	1,591,062	1,928,030	1,327,878
Instructional staff	1,101,770	1,054,410	1,085,124	885,841
Board of education	33,040	33,040	53,141	40,136
Administration	3,284,793	3,272,453	2,977,758	2,976,921
Fiscal	844,401	844,401	720,295	720,295
Business	113,878	48,388	32,826	32,202
Operations and maintenance	3,713,223	1,644,777	3,364,469	2,871,675
Pupil transportation	1,900,664	1,337,163	1,753,970	1,604,680
Central	350,847	189,685	274,069	108,103
Operation of non-instructional services:				
Food service operations	1,514,525	(65,650)	1,279,927	(597,113)
Other non-instructional services	316,383	(31,926)	673,714	(55,145)
Extracurricular activities	884,008	557,760	741,179	442,246
Interest and fiscal charges	1,012,071	1,012,071	1,028,636	1,028,636
Total expenses	<u>\$ 45,337,578</u>	<u>\$ 32,896,030</u>	<u>\$ 40,760,797</u>	<u>\$ 29,074,019</u>

The dependence upon tax revenues during fiscal year 2023 for governmental activities is apparent, as 76.41% of instruction activities are supported through taxes and other general revenues. In fiscal year 2023, 72.56% of total governmental activities program expenses were supported by general revenues. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio as a whole, are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2023 and 2022.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Business-Type Activities

Business-type activities include adult education and the preschool. These programs had revenues of \$2,480,422, transfers in of \$25,000 and expenses of \$2,326,295 during fiscal year 2023. The District's business-type activities receive no direct support from taxes. Pension expense was the primary reason for the increase in expenses. Pension expense is reported as a program expense of the program benefitting from the employee's service.

The District's Funds

The District's governmental funds reported a combined fund balance of \$6,535,370, which is lower than last year's total balance of \$8,544,365. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2023 and June 30, 2022.

	Fund Balance June 30, 2023	Fund Balance June 30, 2022	Change
General	\$ 545,584	\$ 3,586,630	\$ (3,041,046)
Bond retirement	3,331,422	2,599,661	731,761
Nonmajor governmental	2,658,364	2,358,074	300,290
Total	<u>\$ 6,535,370</u>	<u>\$ 8,544,365</u>	<u>\$ (2,008,995)</u>

General Fund

The District's general fund balance decreased \$3,041,046 during fiscal year 2023.

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

	2023 Amount	2022 Amount	Change	Change
Revenues				
Taxes	\$ 11,913,082	\$ 12,709,872	\$ (796,790)	(6.27) %
Tuition and fees	598,130	450,144	147,986	32.88 %
Earnings on investments	15,182	100,780	(85,598)	(84.94) %
Change in fair value of investments	10,298	(460,407)	470,705	102.24 %
Other	355,159	332,285	22,874	6.88 %
Payments in lieu of taxes	226,654	257,870	(31,216)	(12.11) %
Intergovernmental	<u>20,131,281</u>	<u>20,037,087</u>	<u>94,194</u>	<u>0.47 %</u>
Total	<u>\$ 33,249,786</u>	<u>\$ 33,427,631</u>	<u>\$ (177,845)</u>	<u>(0.53) %</u>

Revenues of the general fund decreased \$177,845 or 0.53%. Intergovernmental revenue, the largest source of general fund revenue, which is primarily made up of State Foundation revenue, remained relatively unchanged with an increase of 0.47%. Tax receipts fluctuated from year to year based on the timing of tax receipts which impacts the amount available for advance at fiscal year end. The increase change in fair value of investments was due to market performance on the District's investment accounts. All other revenues in the general fund remained comparable to the prior fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	2023 <u>Amount</u>	2022 <u>Amount</u>	<u>Change</u>	<u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 23,049,199	\$ 22,371,593	\$ 677,606	3.03 %
Support services	12,374,765	11,562,519	812,246	7.02 %
Extracurricular activities	531,907	536,913	(5,006)	(0.93) %
Facilities acquisition and construction	179,264	134,551	44,713	33.23 %
Operation of non-instructional services	84	-	84	100.00 %
Debt service	<u>110,613</u>	<u>39,432</u>	<u>71,181</u>	180.52 %
Total	<u>\$ 36,245,832</u>	<u>\$ 34,645,008</u>	<u>\$ 1,600,824</u>	4.62 %

Expenditures of the general fund increased \$1,600,824 or 4.62%. Facilities acquisition and construction increased \$44,713 or 33.23% primarily due to the District expensing more capital related expenditures out of the general fund in the current fiscal year. Instruction expenditures increased \$677,606 or 3.03% primarily due to an increase in salary and benefit expenses. The District received ESSER grant funds in both 2022 and 2023 and were able to expense costs that were paid from the general fund in prior years to the nonmajor special revenue fund.

Bond Retirement Fund

The bond retirement fund had \$1,916,444 in revenues and \$1,184,683 in expenditures. The bond retirement fund's fund balance increased \$731,761 from \$2,599,661 to \$3,331,422.

Proprietary Funds

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

General Fund Budgeting Highlights

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

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

For the general fund, original and final budgeted revenues and other financing sources were \$33,659,568 and \$33,341,325, respectively. Actual revenues and other financing sources were \$33,349,088, which were \$7,763 higher than the final budgeted revenues and other financing sources.

General fund original and final appropriations and other financing uses were \$35,364,398, and \$36,490,994, respectively. The actual budget basis expenditures and other financing uses of \$36,469,266 were \$21,728 lower than the final budgeted appropriations and other financing uses.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2023, the District had \$34,144,205 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Of this total, \$34,127,027 was reported in the governmental activities and \$17,178 was reported in the business-type activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The following table shows June 30, 2023 balances compared to June 30, 2022.

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

	Governmental Activities		Business-Type Activities		Total	
		Restated				Restated
	2023	2022	2023	2022	2023	2022
Land	\$ 395,721	\$ 395,721	\$ -	\$ -	\$ 395,721	395,721
Land improvements	256,627	179,992	-	-	256,627	179,992
Building and improvements	30,082,552	29,626,187	-	-	30,082,552	29,626,187
Furniture and equipment	1,793,797	1,809,311	17,178	14,113	1,810,975	1,823,424
Intangible right to use: leased equipment	37,758	75,517	-	-	37,758	75,517
Intangible right to use: software	591,720	890,351	-	-	591,720	890,351
Vehicles	968,852	679,626	-	-	968,852	679,626
Total	\$ 34,127,027	\$ 33,656,705	\$ 17,178	\$ 14,113	\$ 34,144,205	\$ 33,670,818

The increase in capital assets, net of depreciation, of \$470,322 is attributable to capital outlays of \$2,328,724, donations of \$5,000 exceeding current year depreciation of \$1,843,851 and disposals of \$19,551 during 2023.

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

Debt Administration

At June 30, 2023, the District had \$24,269,662 in general obligation bonds, capital appreciation bonds, accreted interest on capital appreciation bonds outstanding, SBITA liability and leases payable. There were no long-term debt obligations reported among the business-type activities. Of the District's total general obligation bonds, \$150,000 is due within one year.

The following table summarizes the bonds and accreted interest obligations outstanding at June 30, 2023 and June 30, 2022.

Outstanding Debt, at Year End

	Governmental Activities	
	2023	Restated 2022
General obligation bonds:		
General obligation bonds	\$ 23,555,000	\$ 23,700,000
Capital appreciation bonds	370,000	370,000
Accreted interest	255,432	167,739
Total general obligation bonds	<u>24,180,432</u>	<u>24,237,739</u>
SBITA payable	50,431	121,612
Leases payable	<u>38,799</u>	<u>76,452</u>
Total governmental activities	<u>\$ 24,269,662</u>	<u>\$ 24,435,803</u>

At June 30, 2023, the District's overall legal debt margin was \$14,689,309 and its unvoted debt margin was \$392,032. See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Current Financial Related Activities

The District ended fiscal year 2023 with an unencumbered budgetary-basis balance of \$1,889,663 in the general fund. Even with staff reductions, the District is in deficit spending. During the year, the District's total budgetary-basis expenditures exceeded budgetary-basis revenues by \$3,120,178. The District has a 6.9 mil operating levy that was renewed in 2023. The collections on that levy will be received through December 2027. The District is seeking new money in the form of an 8 mil operating levy in November of 2023.

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: Mr. Bradd Stevens, Treasurer of Madison Local School District, at 1379 Grace Street, Mansfield, Ohio, 44905-2742.

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

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 7,787,339	\$ 534,877	\$ 8,322,216
Cash and investments with escrow agent	875,323	-	875,323
Receivables:			
Property taxes	15,098,468	-	15,098,468
Payment in lieu of taxes	75,048	-	75,048
Accounts	30,947	5,838	36,785
Accrued interest	11,051	-	11,051
Intergovernmental	415,027	-	415,027
Prepayments	64,312	-	64,312
Materials and supplies inventory	10,922	-	10,922
Inventory held for resale	12,083	-	12,083
Internal balance	21,000	(21,000)	-
Net OPEB asset	3,390,791	100,370	3,491,161
Capital assets:			
Nondepreciable/amortized capital assets	395,721	-	395,721
Depreciable/amortized capital assets, net	33,731,306	17,178	33,748,484
Capital assets, net	<u>34,127,027</u>	<u>17,178</u>	<u>34,144,205</u>
Total assets	<u>61,919,338</u>	<u>637,263</u>	<u>62,556,601</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	633,755	-	633,755
Pension	8,840,213	448,261	9,288,474
OPEB	677,075	173,819	850,894
Total deferred outflows of resources	<u>10,151,043</u>	<u>622,080</u>	<u>10,773,123</u>
Liabilities:			
Accounts payable	194	1,250	1,444
Accrued wages and benefits payable	3,135,704	63,380	3,199,084
Intergovernmental payable	788,460	30,976	819,436
Accrued interest payable	85,729	-	85,729
Claims payable	1,213,013	-	1,213,013
Long-term liabilities:			
Due within one year	324,717	6,005	330,722
Due in more than one year:			
Net pension liability	34,499,160	1,602,017	36,101,177
Net OPEB liability	1,426,457	195,985	1,622,442
Other amounts due in more than one year	27,015,402	23,776	27,039,178
Total liabilities	<u>68,488,836</u>	<u>1,923,389</u>	<u>70,412,225</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	12,029,087	-	12,029,087
Pension	3,797,470	230,734	4,028,204
OPEB	4,619,555	333,512	4,953,067
Total deferred inflows of resources	<u>20,446,112</u>	<u>564,246</u>	<u>21,010,358</u>
Net position:			
Net investment in capital assets	9,356,666	17,178	9,373,844
Restricted for:			
OPEB	724,649	13,554	738,203
Classroom facilities maintenance	1,600,933	-	1,600,933
Debt service	3,340,395	-	3,340,395
State funded programs	87,816	-	87,816
Federally funded programs	7,660	-	7,660
Food service operations	617,262	-	617,262
Student activities	148,146	-	148,146
Other purposes	77,775	-	77,775
Unrestricted (deficit)	<u>(32,825,869)</u>	<u>(1,259,024)</u>	<u>(34,084,893)</u>
Total net position (deficit)	<u>\$ (16,864,567)</u>	<u>\$ (1,228,292)</u>	<u>\$ (18,092,859)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 16,982,130	\$ 299,626	\$ 1,621,585	\$ -
Special	7,289,088	299,033	3,458,009	-
Vocational	3,194,435	52,991	704,692	-
Adult/continuing	141,228	-	146,008	-
Other	410,034	-	26,575	-
Support services:				
Pupil	2,251,060	-	659,998	-
Instructional staff	1,101,770	786	46,574	-
Board of education	33,040	-	-	-
Administration	3,284,793	-	12,340	-
Fiscal	844,401	-	-	-
Business	113,878	551	64,939	-
Operations and maintenance	3,713,223	122,424	1,635,371	310,651
Pupil transportation	1,900,664	1,862	297,878	263,761
Central	350,847	-	161,162	-
Operation of non-instructional services:				
Food service operations	1,514,525	317,179	1,262,996	-
Other non-instructional services	316,383	4,612	343,697	-
Extracurricular activities	884,008	237,877	78,371	10,000
Interest and fiscal charges	1,012,071	-	-	-
Total governmental activities	<u>45,337,578</u>	<u>1,336,941</u>	<u>10,520,195</u>	<u>584,412</u>
Business-type activities:				
Adult education	1,215,410	646,884	503,387	-
Preschool	1,102,383	876,607	453,544	-
Total business-type activities	<u>2,317,793</u>	<u>1,523,491</u>	<u>956,931</u>	<u>-</u>
Totals	<u>\$ 47,655,371</u>	<u>\$ 2,860,432</u>	<u>\$ 11,477,126</u>	<u>\$ 584,412</u>

General revenues:

Property taxes levied for:

General purposes

Debt service

Special revenue

Payments in lieu of taxes

Grants and entitlements not restricted

to specific programs

Investment earnings

Change in fair value of investments

Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position (deficit) at beginning of year (restated)

Net position (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-Type Activities	Total
\$ (15,060,919)	\$ -	\$ (15,060,919)
(3,532,046)	-	(3,532,046)
(2,436,752)	-	(2,436,752)
4,780	-	4,780
(383,459)	-	(383,459)
(1,591,062)	-	(1,591,062)
(1,054,410)	-	(1,054,410)
(33,040)	-	(33,040)
(3,272,453)	-	(3,272,453)
(844,401)	-	(844,401)
(48,388)	-	(48,388)
(1,644,777)	-	(1,644,777)
(1,337,163)	-	(1,337,163)
(189,685)	-	(189,685)
65,650	-	65,650
31,926	-	31,926
(557,760)	-	(557,760)
(1,012,071)	-	(1,012,071)
<u>(32,896,030)</u>	<u>-</u>	<u>(32,896,030)</u>
-	(65,139)	(65,139)
-	227,768	227,768
-	162,629	162,629
<u>(32,896,030)</u>	<u>162,629</u>	<u>(32,733,401)</u>
12,109,433	-	12,109,433
1,663,445	-	1,663,445
149,487	-	149,487
226,654	-	226,654
17,389,262	-	17,389,262
7,149	-	7,149
29,038	-	29,038
182,021	-	182,021
<u>31,756,489</u>	<u>-</u>	<u>31,756,489</u>
(25,000)	25,000	-
<u>31,731,489</u>	<u>25,000</u>	<u>31,756,489</u>
(1,164,541)	187,629	(976,912)
<u>(15,700,026)</u>	<u>(1,415,921)</u>	<u>(17,115,947)</u>
<u>\$ (16,864,567)</u>	<u>\$ (1,228,292)</u>	<u>\$ (18,092,859)</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 2,025,501	\$ 2,185,519	\$ 2,803,207	\$ 7,014,227
Cash and investments with escrow agent	-	875,323	-	875,323
Receivables:				
Property taxes	13,151,241	1,783,682	163,545	15,098,468
Payment in lieu of taxes	75,048	-	-	75,048
Accounts	12,232	-	15,946	28,178
Accrued interest	11,051	-	-	11,051
Interfund loans	21,000	-	-	21,000
Intergovernmental	260,324	-	154,703	415,027
Prepayments	55,234	-	9,078	64,312
Materials and supplies inventory	-	-	10,922	10,922
Inventory held for resale	-	-	12,083	12,083
Due from other funds	50,932	-	-	50,932
Total assets	<u>\$ 15,662,563</u>	<u>\$ 4,844,524</u>	<u>\$ 3,169,484</u>	<u>\$ 23,676,571</u>
Liabilities:				
Accounts payable	\$ 194	\$ -	\$ -	\$ 194
Accrued wages and benefits payable	2,976,673	-	159,031	3,135,704
Compensated absences payable	13,999	-	-	13,999
Intergovernmental payable	737,878	-	50,582	788,460
Due to other funds	-	-	50,932	50,932
Total liabilities	<u>3,728,744</u>	<u>-</u>	<u>260,545</u>	<u>3,989,289</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	10,477,714	1,421,075	130,298	12,029,087
Delinquent property tax revenue not available	678,520	92,027	8,438	778,985
Intergovernmental revenue not available	226,199	-	99,423	325,622
Accrued interest not available	5,490	-	-	5,490
Miscellaneous revenue not available	312	-	12,416	12,728
Total deferred inflows of resources	<u>11,388,235</u>	<u>1,513,102</u>	<u>250,575</u>	<u>13,151,912</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	10,922	10,922
Prepays	55,234	-	9,078	64,312
Restricted:				
Debt service	-	3,331,422	-	3,331,422
Classroom facilities maintenance	-	-	1,585,925	1,585,925
Food service operations	-	-	614,871	614,871
State funded programs	-	-	85,310	85,310
Federally funded programs	-	-	7,660	7,660
Extracurricular	-	-	148,146	148,146
Other purposes	-	-	77,775	77,775
Committed:				
Capital improvements	-	-	224,475	224,475
Assigned:				
Student and staff support	84,884	-	-	84,884
Subsequent year's appropriations	380,009	-	-	380,009
Other purposes	25,457	-	-	25,457
Unassigned (deficit)	-	-	(105,798)	(105,798)
Total fund balances	<u>545,584</u>	<u>3,331,422</u>	<u>2,658,364</u>	<u>6,535,370</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 15,662,563</u>	<u>\$ 4,844,524</u>	<u>\$ 3,169,484</u>	<u>\$ 23,676,571</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

Total governmental fund balances		\$	6,535,370
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			34,127,027
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	778,985	
Accounts receivable		12,728	
Accrued interest receivable		5,490	
Intergovernmental receivable		325,622	
Total		325,622	1,122,825
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund (including internal balance of \$8,502) are included in governmental activities on the statement of net position.			(437,132)
Unamortized premiums on bonds issued are not recognized in the funds.			(1,389,886)
Unamortized amounts on refundings are not recognized in the funds.			633,755
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(85,729)
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - pension		8,840,213	
Deferred inflows - pension		(3,797,470)	
Net pension liability		(34,499,160)	
Deferred outflows - OPEB		677,075	
Deferred inflows - OPEB		(4,619,555)	
Net OPEB asset		3,390,791	
Net OPEB liability		(1,426,457)	
Total		(1,426,457)	(31,434,563)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(24,180,432)	
SBITA obligations		(50,431)	
Lease obligations		(38,799)	
Compensated absences		(1,666,572)	
Total		(25,936,234)	(25,936,234)
Net position of governmental activities		\$	(16,864,567)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 11,913,082	\$ 1,650,539	\$ 147,659	\$ 13,711,280
Intergovernmental	20,131,281	242,809	7,733,756	28,107,846
Investment earnings	15,182	-	979	16,161
Tuition and fees	598,130	-	-	598,130
Extracurricular	75	-	243,826	243,901
Rental income	122,424	-	-	122,424
Charges for services	55,307	-	304,646	359,953
Contributions and donations	1,059	-	113,044	114,103
Payment in lieu of taxes	226,654	-	-	226,654
Miscellaneous	176,294	4,356	27,325	207,975
Change in fair value of investments	10,298	18,740	-	29,038
Total revenues	<u>33,249,786</u>	<u>1,916,444</u>	<u>8,571,235</u>	<u>43,737,465</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,239,031	-	1,589,809	15,828,840
Special	5,518,974	-	1,463,855	6,982,829
Vocational	2,939,050	-	71,821	3,010,871
Adult/continuing	-	-	117,243	117,243
Other	352,144	-	26,295	378,439
Support services:				
Pupil	2,100,189	-	109,910	2,210,099
Instructional staff	1,021,357	-	47,689	1,069,046
Board of education	33,355	-	-	33,355
Administration	3,210,384	-	12,210	3,222,594
Fiscal	796,060	37,278	3,244	836,582
Business	36,801	-	64,789	101,590
Operations and maintenance	3,232,246	-	2,006,589	5,238,835
Pupil transportation	1,710,213	-	391,198	2,101,411
Central	234,160	-	142,766	376,926
Operation of non-instructional services:				
Food service operations	-	-	1,472,201	1,472,201
Other non-instructional services	84	-	320,454	320,538
Extracurricular activities	531,907	-	333,885	865,792
Facilities acquisition and construction	179,264	-	113,046	292,310
Debt service:				
Principal retirement	108,834	145,000	-	253,834
Interest and fiscal charges	1,779	1,002,405	-	1,004,184
Total expenditures	<u>36,245,832</u>	<u>1,184,683</u>	<u>8,287,004</u>	<u>45,717,519</u>
Excess of revenues over (under) expenditures	<u>(2,996,046)</u>	<u>731,761</u>	<u>284,231</u>	<u>(1,980,054)</u>
Other financing sources (uses):				
Transfers in	-	-	43,685	43,685
Transfers (out)	(45,000)	-	(23,685)	(68,685)
Total other financing sources (uses)	<u>(45,000)</u>	<u>-</u>	<u>20,000</u>	<u>(25,000)</u>
Net change in fund balances	(3,041,046)	731,761	304,231	(2,005,054)
Fund balances at beginning of year	3,586,630	2,599,661	2,358,074	8,544,365
Change in reserve for inventory	-	-	(3,941)	(3,941)
Fund balances at end of year	<u>\$ 545,584</u>	<u>\$ 3,331,422</u>	<u>\$ 2,658,364</u>	<u>\$ 6,535,370</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds	\$	(2,005,054)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation/amortization expense.		
Capital asset additions	\$ 2,328,724	
Current year depreciation/amortization	<u>(1,843,851)</u>	
Total		484,873
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(14,551)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(3,941)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	211,086	
Earnings on investments	(8,033)	
Other revenue	12,728	
Intergovernmental	<u>239,791</u>	
Total		455,572
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		253,834
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) decrease in accrued interest payable	(2,552)	
Accreted interest on capital appreciation bonds	(87,693)	
Amortization of bond premiums	113,273	
Amortization of deferred charges	<u>(30,915)</u>	
Total		(7,887)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	3,102,450	
OPEB	<u>75,618</u>	
Total		3,178,068
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.		
Pension	(3,362,405)	
OPEB	<u>735,511</u>	
Total		(2,626,894)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(65,615)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(812,946)</u>
Change in net position of governmental activities	\$	<u>(1,164,541)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 12,304,306	\$ 11,978,017	\$ 11,992,957	\$ 14,940
Intergovernmental	20,170,733	20,157,542	20,240,921	83,379
Investment earnings	107,881	107,810	17,916	(89,894)
Tuition and fees	377,720	399,323	588,299	188,976
Rental income	108,071	108,000	122,424	14,424
Charges for services	2,454	2,452	2,316	(136)
Contributions and donations	-	-	1,059	1,059
Payment in lieu of taxes	228,969	228,969	228,969	-
Miscellaneous	109,434	109,212	16,929	(92,283)
Total revenues	<u>33,409,568</u>	<u>33,091,325</u>	<u>33,211,790</u>	<u>120,465</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,769,343	15,712,654	14,551,004	1,161,650
Special	4,575,857	4,713,329	5,378,500	(665,171)
Vocational	2,965,116	2,950,126	2,970,973	(20,847)
Other	317,115	325,551	354,215	(28,664)
Support services:				
Pupil	1,927,029	1,887,361	2,076,065	(188,704)
Instructional staff	882,362	856,185	1,024,218	(168,033)
Board of education	48,293	45,073	34,650	10,423
Administration	3,251,312	3,255,257	3,262,818	(7,561)
Fiscal	818,479	779,325	797,463	(18,138)
Business	32,907	41,244	36,801	4,443
Operations and maintenance	3,208,445	3,094,581	3,241,801	(147,220)
Pupil transportation	1,701,049	1,762,476	1,727,898	34,578
Central	160,149	163,920	239,619	(75,699)
Extracurricular activities	568,005	535,092	527,977	7,115
Facilities acquisition and construction	138,937	333,820	179,264	154,556
Total expenditures	<u>35,364,398</u>	<u>36,455,994</u>	<u>36,403,266</u>	<u>52,728</u>
Excess of revenues (under) expenditures	<u>(1,954,830)</u>	<u>(3,364,669)</u>	<u>(3,191,476)</u>	<u>173,193</u>
Other financing sources (uses):				
Refund of prior year's expenditures	250,000	250,000	135,798	(114,202)
Transfers (out)	-	(35,000)	(45,000)	(10,000)
Advances (out)	-	-	(21,000)	(21,000)
Sale of capital assets	-	-	1,500	1,500
Total other financing sources (uses)	<u>250,000</u>	<u>215,000</u>	<u>71,298</u>	<u>(143,702)</u>
Net change in fund balance	(1,704,830)	(3,149,669)	(3,120,178)	29,491
Fund balance at beginning of year	5,009,841	5,009,841	5,009,841	-
Fund balance at end of year	<u>\$ 3,305,011</u>	<u>\$ 1,860,172</u>	<u>\$ 1,889,663</u>	<u>\$ 29,491</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	<u>Adult Education</u>	<u>Preschool</u>	<u>Total Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 8,496	\$ 526,381	\$ 534,877	\$ 773,112
Receivables:				
Accounts	5,838	-	5,838	2,769
Total current assets	<u>14,334</u>	<u>526,381</u>	<u>540,715</u>	<u>775,881</u>
Noncurrent assets:				
Net OPEB asset	85,110	15,260	100,370	-
Depreciable capital assets, net	17,178	-	17,178	-
Total noncurrent assets	<u>102,288</u>	<u>15,260</u>	<u>117,548</u>	<u>-</u>
Total assets	<u>116,622</u>	<u>541,641</u>	<u>658,263</u>	<u>775,881</u>
Deferred outflows of resources:				
Pension	206,476	241,785	448,261	-
OPEB	16,639	157,180	173,819	-
Total deferred outflows of resources	<u>223,115</u>	<u>398,965</u>	<u>622,080</u>	<u>-</u>
Liabilities:				
Accounts payable	1,250	-	1,250	-
Accrued wages and benefits	31,467	31,913	63,380	-
Compensated absences	3,320	2,685	6,005	-
Interfund loan payable	21,000	-	21,000	-
Intergovernmental payable	15,135	15,841	30,976	-
Claims payable	-	-	-	1,213,013
Total current liabilities	<u>72,172</u>	<u>50,439</u>	<u>122,611</u>	<u>1,213,013</u>
Long-term liabilities:				
Compensated absences payable	23,776	-	23,776	-
Net pension liability	856,072	745,945	1,602,017	-
Net OPEB liability	33,193	162,792	195,985	-
Total long-term liabilities	<u>913,041</u>	<u>908,737</u>	<u>1,821,778</u>	<u>-</u>
Total liabilities	<u>985,213</u>	<u>959,176</u>	<u>1,944,389</u>	<u>1,213,013</u>
Deferred inflows of resources:				
Pension	179,063	51,671	230,734	-
OPEB	122,030	211,482	333,512	-
Total deferred inflows of resources	<u>301,093</u>	<u>263,153</u>	<u>564,246</u>	<u>-</u>
Net position:				
Investment in capital assets	17,178	-	17,178	-
Restricted for OPEB	9,634	3,920	13,554	-
Unrestricted (deficit)	<u>(973,381)</u>	<u>(285,643)</u>	<u>(1,259,024)</u>	<u>(437,132)</u>
Total net position (deficit)	<u>\$ (946,569)</u>	<u>\$ (281,723)</u>	<u>\$ (1,228,292)</u>	<u>\$ (437,132)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Adult Education	Preschool	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:				
Tuition and fees	\$ 618,252	\$ 876,607	\$ 1,494,859	\$ -
Sales/charges for services	28,632	-	28,632	9,106,143
Total operating revenues	<u>646,884</u>	<u>876,607</u>	<u>1,523,491</u>	<u>9,106,143</u>
Operating expenses:				
Personal services	743,471	843,550	1,587,021	-
Purchased services	387,567	144,442	532,009	1,217,441
Materials and supplies	75,429	108,924	184,353	-
Other	15,737	5,467	21,204	8,659
Claims	-	-	-	8,684,487
Depreciation	1,708	-	1,708	-
Total operating expenses	<u>1,223,912</u>	<u>1,102,383</u>	<u>2,326,295</u>	<u>9,910,587</u>
Operating (loss)	<u>(577,028)</u>	<u>(225,776)</u>	<u>(802,804)</u>	<u>(804,444)</u>
Nonoperating revenues:				
Grants and subsidies	503,387	453,544	956,931	-
Total nonoperating revenues	<u>503,387</u>	<u>453,544</u>	<u>956,931</u>	<u>-</u>
Income (loss) before transfers	(73,641)	227,768	154,127	(804,444)
Transfers in	25,000	-	25,000	-
Change in net position	(48,641)	227,768	179,127	(804,444)
Net position (deficit) at beginning of year	<u>(897,928)</u>	<u>(509,491)</u>		<u>367,312</u>
Net position (deficit) at end of year	<u>\$ (946,569)</u>	<u>\$ (281,723)</u>		<u>\$ (437,132)</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds			8,502	
Changes in net position of business-type activities			<u>\$ 187,629</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Adult Education	Preschool	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:				
Cash received from tuition and fees	\$ 612,414	\$ -	\$ 612,414	\$ -
Cash received from sales/charges for services	28,695	-	28,695	-
Cash received from other operations	-	872,150	872,150	9,103,374
Cash payments for personal services	(775,513)	(741,155)	(1,516,668)	-
Cash payments for contractual services	(386,317)	(145,889)	(532,206)	(1,217,441)
Cash payments for materials and supplies	(75,429)	(108,924)	(184,353)	-
Cash payments for claims	-	-	-	(8,483,941)
Cash payments for other expenses	(15,737)	(5,467)	(21,204)	(8,659)
Net cash (used in) operating activities	<u>(611,887)</u>	<u>(129,285)</u>	<u>(741,172)</u>	<u>(606,667)</u>
Cash flows from noncapital financing activities:				
Cash received from grants and subsidies	503,387	453,544	956,931	-
Cash received from transfers in	25,000	-	25,000	-
Cash received from interfund loans	21,000	-	21,000	-
Net cash provided by noncapital financing activities	<u>549,387</u>	<u>453,544</u>	<u>1,002,931</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,773)	-	(4,773)	-
Net cash used in capital and related financing activities	<u>(4,773)</u>	<u>-</u>	<u>(4,773)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(67,273)	324,259	256,986	(606,667)
Cash and cash equivalents at beginning of year	75,769	202,122	277,891	1,379,779
Cash and cash equivalents at end of year	<u>\$ 8,496</u>	<u>\$ 526,381</u>	<u>\$ 534,877</u>	<u>\$ 773,112</u>
Reconciliation of operating (loss) to net cash (used in) operating activities:				
Operating (loss)	\$ (577,028)	\$ (225,776)	\$ (802,804)	\$ (804,444)
Adjustments:				
Depreciation	1,708	-	1,708	-
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Accounts receivable	(5,838)	-	(5,838)	(2,769)
Net OPEB asset	(7,441)	(3,421)	(10,862)	-
Deferred outflows - pension	22,409	83,951	106,360	-
Deferred outflows - OPEB	4,147	24,280	28,427	-
Accounts payable	1,250	(1,447)	(197)	-
Accrued wages and benefits	20,296	588	20,884	-
Intergovernmental payable	3,900	3,996	7,896	-
Compensated absences payable	5,996	2,144	8,140	-
Unearned revenue	-	(4,457)	(4,457)	-
Net pension liability	299,015	273,482	572,497	-
Net OPEB liability	(12,441)	(49,682)	(62,123)	-
Deferred inflows - pension	(361,044)	(253,535)	(614,579)	-
Deferred inflows - OPEB	(6,816)	20,592	13,776	-
Claims payable	-	-	-	200,546
Net cash (used in) operating activities	<u>\$ (611,887)</u>	<u>\$ (129,285)</u>	<u>\$ (741,172)</u>	<u>\$ (606,667)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2023

	<u>Custodial</u>
Assets:	
Equity in pooled cash and investments	\$ 15,889
Total assets	<u>15,889</u>
Net position:	
Restricted for individuals	15,889
Total net position	<u>\$ 15,889</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Custodial</u>
Additions:	
Extracurricular collections for OHSAA	\$ 6,900
Other custodial fund collections	<u>5</u>
Total additions	<u>6,905</u>
Deductions:	
Extracurricular distributions to OHSAA	<u>6,900</u>
Total deductions	<u>6,900</u>
Change in net position	5
Net position at beginning of year	<u>\$ 15,884</u>
Net position at end of year	<u>\$ 15,889</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Madison Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by statute and further mandated by State and/or federal agencies. This Board controls the District's 5 instructional/support facilities staffed by 136 classified and 232 certified full-time teaching personnel and 15 administrators who provide services to 2,524 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Richland, Marion, Morrow, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2023, the District paid \$200,393 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

INSURANCE PURCHASING POOL

Workers' Compensation Group Retrospective Rating Program (GRP)

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

Schools of Ohio Risk Sharing Authority

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

The following are the District's major governmental funds:

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

Bond Retirement - The bond retirement fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

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

PROPRIETARY FUNDS

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

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

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

Preschool fund - This fund accounts for educational opportunities offered to pre-kindergarten students living within the community.

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District does not have any trust funds. Custodial funds are used to report fiduciary activity that is not required to be reported in a trust fund. The District's custodial funds accounts for funds collected and distributed on behalf of the OHSAA and contributions and donations collected and distributed for scholarships. The District has no administrative involvement in determining the recipient of the scholarships.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

C. Basis of Presentation and 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. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

The fiduciary funds are reported using the economic resources measurement focus. All assets and liabilities associated with the operation of fiduciary funds are included on the statement of net fiduciary position. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 13 and 14 for deferred outflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. Unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 13 and 14 for deferred inflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds except custodial funds. The specific timetable for fiscal year 2023 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for each fund. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2023.

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Although the legal level of control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2023.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level, which is the legal level of control.

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

F. Cash and Investments

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

During fiscal year 2023, investments were limited to Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Bank (FHLB), negotiable certificates of deposits (negotiable CDs), and U.S. government money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2023 amounted to \$15,182, which includes \$8,761 assigned from other District funds.

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

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

G. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. Fund balance has been presented as nonspendable equal to the balance of the prepaid item at fiscal year-end.

H. Inventory

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

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

I. Capital Assets

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

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

All reported capital assets except land and construction in progress are depreciated/amortized. Improvements are depreciated over the remaining useful lives of the related capital assets. The District is reporting intangible right to use assets related to leased equipment and software. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset. Depreciation/amortization is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land improvements	20 years	N/A
Buildings and improvements	20 - 40 years	N/A
Furniture and equipment	5 - 20 years	8 - 15 years
Intangible right to use - leased equipment	5 years	N/A
Intangible right to use - software	2 - 6 years	N/A
Vehicles	6 - 8 years	N/A

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2023 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds; however, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds payable are recognized as liabilities in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Fund Balance

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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

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

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

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

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for special trusts and other grant funds.

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

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

N. Parochial Schools

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

O. Estimates

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

P. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow or outflow of resources.

Q. Pensions/Other Postemployment Benefits (OPEB)

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2023.

S. Fair Value Measurements

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

T. Interfund Activity

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

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. On the governmental fund financial statements, receivables and payables resulting from negative cash balances in other governmental funds are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities columns on the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

U. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the District, these revenues are charges for services for operating the preschool and adult education career center. Revenues and expenses that do not meet these definitions are reported as nonoperating.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2023, the District has implemented GASB Statement No. 91, “Conduit Debt Obligations”, GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”, GASB Statement No. 96, “Subscription Based Information Technology Arrangements”, certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, “Omnibus 2022”.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the District.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

These changes were incorporated in the District’s fiscal year 2023 financial statements. The District recognized \$121,612 in governmental activities in subscriptions payable at July 1, 2022; however, this entire amount was offset by the intangible asset, right to use subscription assets.

A net position restatement is required in order implement GASB Statement No. 96. The governmental activities have been restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported	\$ (16,468,765)
Intangible right to use - software	768,739
Restated net position at July 1, 2022	<u>\$ (15,700,026)</u>

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2023 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 72,622
Title I	3,486
Supporting Effective Instruction	7,201
Student Support & Academic Enrichment	22,487

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At fiscal year end, the District had \$1,450 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and investments.”

B. Cash and investments with escrow agent

At fiscal year end, the District had \$875,323 in investments with escrow agent for bond retirement sinking fund deposits (See note 10) which is included on the financial statements of the District as “ cash and investments with escrow agent.”

C. Deposits with Financial Institutions

At June 30, 2023, the carrying amount of all District deposits was \$2,506,341 and the bank balance of all District deposits was \$2,718,627. Of the bank balance, \$1,247,915 was covered by the FDIC and \$1,470,712 was covered by the Ohio Pooled Collateral System (OPCS).

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2023, the District had the following investments and maturities:

Measurement / Investment Type	Measurement Value	Investment Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
FFCB	\$ 224,129	\$ -	\$ -	\$ -	\$ -	\$ 224,129
FHLMC	561,112	245,671	-	-	-	315,441
FNMA	1,287,515	-	-	-	-	1,287,515
FHLB	1,302,481	-	434,753	-	423,509	444,219
Negotiable CDs	1,804,792	592,995	194,756	658,371	-	358,670
U.S. Government Money Market Mutual Funds	650,285	650,285	-	-	-	-
Total	\$ 5,830,314	\$ 1,488,951	\$ 629,509	\$ 658,371	\$ 423,509	\$ 2,629,974

The weighted average maturity of investments is 1.42 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FFCB, FHLMC, FHLB and FNMA), and negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2023:

<u>Measurement/ Investment Type</u>	<u>Measurement Value</u>	<u>% of total</u>
<i>Fair Value:</i>		
FFCB	\$ 224,129	3.85%
FHLMC	561,112	9.62%
FNMA	1,287,515	22.08%
FHLB	1,302,481	22.34%
Negotiable CDs	1,804,792	30.96%
U.S. Government Money		
Market Mutual Funds	<u>650,285</u>	11.15%
Total	<u>\$ 5,830,314</u>	100.00%

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2023:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 2,506,341	
Investments	5,830,314	
Investments with escrow agent	875,323	
Cash on hand	<u>1,450</u>	
Total	<u>\$ 9,213,428</u>	
 <u>Cash and investments per statement of net position</u>		
Governmental activities	\$ 8,662,662	
Business-type activities	534,877	
Custodial funds	<u>15,889</u>	
Total	<u>\$ 9,213,428</u>	

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following, as reported on the fund statements:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Adult education fund	\$ 25,000
General Fund	Nonmajor governmental funds	20,000
Nonmajor governmental funds	Nonmajor governmental funds	<u>23,685</u>
Total		<u>\$ 68,685</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 - INTERFUND TRANSACTIONS- (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer of \$23,685 from the classroom facilities fund (a nonmajor governmental fund) to the permanent improvement fund (a nonmajor governmental fund) was for the fund close-out.

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

B. Due To / Due From Other Funds

Interfund balances at June 30, 2023 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 50,932</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

C. Interfund Loans

Interfund loans receivable/payable consisted of the following at June 30, 2023, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Adult Education	<u>\$ 21,000</u>

The primary purpose of the interfund balances is to cover the costs in specific funds where revenues were not received by June 30. The interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2023 represent the collection of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed values as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2023 represent the collection of calendar year 2022 taxes. Public utility real and personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Richland County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023, are available to finance fiscal year 2023 operations. The amount available as an advance at June 30, 2023 was \$1,995,007 in the general fund, \$270,580 in the bond retirement fund and \$24,809 in the classroom facilities maintenance fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2022 was \$2,074,882 in the general fund, \$340,477 in the bond retirement fund and \$28,440 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2023 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2023 taxes were collected are:

	2022 Second Half Collections		2023 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 355,121,890	92.01	\$ 358,355,860	91.41
Public utility personal	<u>30,820,560</u>	<u>7.99</u>	<u>33,676,220</u>	<u>8.59</u>
Total	<u>\$ 385,942,450</u>	<u>100.00</u>	<u>\$ 392,032,080</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$65.90		\$65.90	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 - PAYMENT IN LIEU OF TAXES

The District is party to tax incremental financing agreements with local companies. These companies were granted reductions or exemptions from property tax obligations to encourage economic development in the area; however, as part of these agreements, the companies make payments in lieu of taxes to the District to compensate the District for its portion of the reduction in property tax receipts. On the governmental fund financial statements, payment in lieu of taxes revenues totaled \$226,654 in the general fund during fiscal year 2023.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2023 consisted of property taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:

Property taxes	\$ 15,098,468
Payment in lieu of taxes	75,048
Accounts	30,947
Accrued interest	11,051
Intergovernmental	<u>415,027</u>
Total receivables	<u>\$ 15,630,541</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - CAPITAL ASSETS

A. Due to the implementation of GASB Statement No. 96 (see Note 3.A for detail), the District has reported capital assets for the right to use software which are reflected in the schedule below. Governmental capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Restated Balance 6/30/22	Additions	Deductions	Balance 6/30/23
Governmental activities:				
<i>Capital assets, not being depreciated/amortized:</i>				
Land	\$ 395,721	\$ -	\$ -	\$ 395,721
Total capital assets, not being depreciated/amortized	<u>395,721</u>	<u>-</u>	<u>-</u>	<u>395,721</u>
<i>Capital assets, being depreciated/amortized:</i>				
Land improvements	1,049,811	104,911	-	1,154,722
Buildings/improvements	47,517,688	1,532,078	-	49,049,766
Furniture/equipment	4,927,762	238,519	(150,451)	5,015,830
Intangible right to use - leased equipment	113,276	-	-	113,276
Intangible right to use - software	890,351	-	-	890,351
Vehicles	2,373,559	458,216	(183,354)	2,648,421
Total capital assets, being depreciated/amortized	<u>56,872,447</u>	<u>2,333,724</u>	<u>(333,805)</u>	<u>58,872,366</u>
<i>Less: accumulated depreciation/amortization</i>				
Land improvements	(869,819)	(28,276)	-	(898,095)
Buildings/improvements	(17,891,501)	(1,075,713)	-	(18,967,214)
Furniture/equipment	(3,118,451)	(234,482)	130,900	(3,222,033)
Intangible right to use - leased equipment	(37,759)	(37,759)	-	(75,518)
Intangible right to use - software	-	(298,631)	-	(298,631)
Vehicles	(1,693,933)	(168,990)	183,354	(1,679,569)
Total accumulated depreciation/amortization	<u>(23,611,463)</u>	<u>(1,843,851)</u>	<u>314,254</u>	<u>(25,141,060)</u>
Governmental activities capital assets, net	<u>\$ 33,656,705</u>	<u>\$ 489,873</u>	<u>\$ (19,551)</u>	<u>\$ 34,127,027</u>

Depreciation/amortization expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,007,767
Special	214,591
Vocational	175,511
Adult/continuing	23,985
Support services:	
Pupil	31,519
Instructional staff	30,137
Administration	39,245
Operations and maintenance	92,717
Pupil transportation	155,894
Non-instructional services	4,889
Food service operations	38,636
Extracurricular activities	28,960
Total depreciation/amortization expense	<u>\$ 1,843,851</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-type capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance 06/30/22	Additions	Deductions	Balance 06/30/23
Business-type activities:				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 89,692	\$ 4,773	\$ -	\$ 94,465
Less: accumulated depreciation	(75,579)	(1,708)	-	(77,287)
Business-type activities capital assets, net	\$ 14,113	\$ 3,065	\$ -	\$ 17,178

Depreciation expense was charged to the adult education enterprise fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 10 - LONG-TERM OBLIGATIONS

Due to the implementation of GASB Statement No. 96 (see Note 3.A for detail), the District has reported obligations for SBITA payable which are reflected in the schedule below. During fiscal year 2023, the following changes occurred in the governmental activities and business-type activities long-term obligations.

	Restated Balance 06/30/22	Additions	Reductions	Balance 06/30/23	Amounts Due in One Year
Governmental activities:					
General obligation bonds - series 2010					
Current interest bonds	\$ 6,920,000	\$ -	\$ -	\$ 6,920,000	\$ -
Refunding bonds - series 2019					
Current interest bonds	16,780,000	-	(145,000)	16,635,000	150,000
Capital appreciation bonds	370,000	-	-	370,000	-
Accreted interest	167,739	87,693	-	255,432	-
Total refunding bonds	17,317,739	87,693	(145,000)	17,260,432	150,000
SBITA liability	121,612	-	(71,181)	50,431	50,431
Lease liability	76,452	-	(37,653)	38,799	38,799
Net pension liability	20,680,925	13,818,235	-	34,499,160	-
Net OPEB liability	1,893,689	-	(467,232)	1,426,457	-
Compensated absences payable	1,635,374	251,126	(205,929)	1,680,571	85,487
Total governmental activities long-term liabilities	<u>\$ 48,645,791</u>	<u>\$ 14,157,054</u>	<u>\$ (926,995)</u>	61,875,850	<u>\$ 324,717</u>
Unamortized premium				1,389,886	
Total governmental activities as reported on statement of net position				<u>\$ 63,265,736</u>	
Business-type activities:					
Net pension liability	\$ 1,029,520	\$ 572,497	\$ -	\$ 1,602,017	\$ -
Net OPEB liability	258,108	-	(62,123)	195,985	-
Compensated absences	21,641	10,736	(2,596)	29,781	6,005
Total business-type activities long-term liabilities	<u>\$ 1,309,269</u>	<u>\$ 583,233</u>	<u>\$ (64,719)</u>	<u>\$ 1,827,783</u>	<u>\$ 6,005</u>

Compensated Absences

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

Net Pension Liability - See Notes 13 for details. The District pays obligations related to employee compensation from the fund benefitting from their service.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Net OPEB Liability - See Notes 14 for details. The District pays obligations related to employee compensation from the fund benefitting from their service.

Series 2010 School Improvement General Obligation Bonds

During fiscal year 2011, the District issued \$25,800,138 in general obligation bonds, for the purpose of improving school facilities. Principal and interest payments are made from the bond retirement fund.

The original issue was comprised of both current interest bonds, par value \$24,990,000 and capital appreciation bonds par value \$810,138. The interest rate on the current interest bonds is 6.65%. The final capital appreciation bonds matured in fiscal year 2022.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029.

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

Fiscal Year	Current Interest - Series 2010		
	Principal	Interest	Total
2024	\$ -	\$ 460,180	\$ 460,180
2025	-	460,180	460,180
2026	-	460,180	460,180
2027	-	460,180	460,180
2028	-	460,180	460,180
2029 - 2030	6,920,000	690,270	7,610,270
Total	\$ 6,920,000	\$ 2,991,170	\$ 9,911,170

The series 2010 general obligation school improvement bonds require the District to make mandatory sinking fund deposits beginning December 1, 2021. The sinking fund deposits will result in a balloon principal payment of \$6,920,000 made on December 1, 2029. Sinking fund deposits will be made on December 1, in the following fiscal years and in the following amounts. The sinking fund deposits are reported as cash and investments with escrow agent in the bond retirement fund.

Fiscal Year	Sinking Fund Deposit Due
2024	\$ 735,000
2025	810,000
2026	830,000
2027	855,000
2028	925,000
2029 - 2030	1,905,000
Total	\$ 6,060,000

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Refunding Bonds, Series 2019

On December 30, 2019, the District issued general obligation refunding bonds (Series 2019, refunding bonds) par value \$17,110,000 and capital appreciation bonds par value \$370,000. These bonds refunded the \$17,490,000 callable portion of the Series 2014 issue. The District covered the remaining \$10,000. The interest rate on the current interest bonds range from 1.8% to 3.45%. The capital appreciation bonds mature on December 30, 2030 (approximate initial offering yield to maturity 3.29%) and December 30, 2031 (approximate initial offering yield to maturity 3.39%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,090,000. Total accreted interest of \$255,432 for series 2019 has been included on the statement of net position at June 30, 2023. This issue is comprised of current interest bonds and capital appreciation bonds, present value of \$16,635,000 and \$370,000 at June 30, 2023.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2043. Principal and interest payments are made from the bond retirement fund.

The net present value of savings from the refunding was \$1,493,055. The net carrying amount of the new debt and the refunded premium exceeded the reacquisition price by \$741,957. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a description of the District's future annual debt service requirements to maturity for the 2019 bonds payable:

Fiscal Year	Current Interest - Refunding Bonds 2019			Capital Appreciation - Refunding Bonds 2019		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 150,000	\$ 534,901	\$ 684,901	\$ -	\$ -	\$ -
2025	150,000	531,676	681,676	-	-	-
2026	155,000	528,197	683,197	-	-	-
2027	160,000	524,432	684,432	-	-	-
2028	165,000	520,434	685,434	-	-	-
2029 - 2033	1,410,000	2,540,881	3,950,881	370,000	1,720,000	2,090,000
2034 - 2038	6,540,000	1,905,591	8,445,591	-	-	-
2039 - 2043	7,000,000	784,856	7,784,856	-	-	-
2044	905,000	15,611	920,611	-	-	-
Total	<u>\$ 16,635,000</u>	<u>\$ 7,886,579</u>	<u>\$ 24,521,579</u>	<u>\$ 370,000</u>	<u>\$ 1,720,000</u>	<u>\$ 2,090,000</u>

Leases Payable - The District has entered into lease agreements for the use of right to use equipment. The District reports an intangible capital asset and corresponding liability for the future scheduled payments under the leases. The lease payments will be paid from the general fund.

The District has entered into lease agreements for copier equipment at varying years and terms as follows:

Description	Lease	Years	Lease	Payment
	Commencement		End	Method
	Date (fiscal year)		Date (fiscal year)	
Copier Equipment	2021	4	2024	Monthly

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of future lease payments under the lease agreements:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 38,799	\$ 633	\$ 39,432

Subscription-Based Information Technology Arrangements Payable - The District has entered into SBITA agreements for the use of right to use software. The District reports an intangible capital asset and corresponding liability for the future scheduled payments under the agreements. The subscription payments will be paid from the general fund.

The following is a schedule of future SBITA payments under the subscription agreements:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 50,431	\$ 2,580	\$ 53,011

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2023, are a voted debt margin of \$14,689,309 (including available funds of \$3,331,422) and an unvoted debt margin of \$392,032.

NOTE 11 - COMPENSATED ABSENCES

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

Administrators, teachers, and classified employees earn sick leave at a rate of one and one-fourth days per month. Upon retirement, full-time certified employees receive a payment of their eligible percentage of their unused sick leave balance up to a maximum of 70 days. For Classified employees, the number of days for which payment is made shall be limited to twenty-five percent (25%) of the accumulated sick leave up to 260 days, thirty percent (30%) of accumulated sick leave if they reach 290 days, and thirty-five percent (35%) of accumulated sick leave if they reach 320 days.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability: Each occurrence	SORSA	\$ 15,000,000	\$0
Property/Boiler and Machinery	SORSA	135,085,257	0
Automobile: Bodily Injury & Property Damage	SORSA	15,000,000	0

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal year. Insurance coverage has not been significantly reduced from the prior year.

B. Health Care Self-Insurance Program

The District provides the following insurance coverage for employees, which is administered through Medical Mutual of Ohio. The District has also purchased a commercial "stop-loss" policy for its self-insurance plan with a \$150,000 per covered person threshold.

Certified employees receive hospital, surgical and major medical, dental, vision and prescription drug coverage. The total monthly cost was \$1,027 for single coverage and \$2,769 for family coverage for fiscal year 2023. The District paid 86.5% of single and family coverage.

Classified employees receive hospital, surgical and major medical, dental, vision and prescription drug coverage. The monthly cost was \$1,244 for single coverage and \$3,370 for family coverage for fiscal year 2023. The District paid 86.5% of single and family coverage.

The claims liability of \$1,213,013 reported in the internal service fund at June 30, 2023, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

<u>Fiscal Year</u>	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2023	\$ 1,012,467	\$ 8,684,487	\$ (8,483,941)	\$ 1,213,013
2022	953,967	7,925,371	(7,866,871)	1,012,467

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation Group Retrospective Rating Plan

For fiscal year 2023, the District participated in a Workers' Compensation Group Retrospective Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Under the GRP, the participating districts continues to pay their own individual premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating districts receive either a premium refund or an assessment. The participating districts pay an experience- or base-rated premium under the same terms as if they were not in a retrospective group. The group-retrospective premiums are recalculated twelve months after the end of the policy year and the recalculated premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, the participating districts receive a refund. If the retrospective premium is higher than the standard premium, the participating districts are charged an assessment.

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sedgwick, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability/Asset

The net pension liability and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The 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/OPEB liability (asset) represent the District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District’s 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 after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2022, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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, 2023, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$642,444 for fiscal year 2023. Of this amount, \$58,217 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS, 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 website 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 (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2023 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$2,612,726 for fiscal year 2023. Of this amount, \$447,756 is reported as intergovernmental payable.

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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.109974200%	0.138063943%	
Proportion of the net pension liability current measurement date	<u>0.113308500%</u>	<u>0.134828620%</u>	
Change in proportionate share	<u>0.003334300%</u>	<u>-0.003235323%</u>	
Proportionate share of the net pension liability	\$ 6,128,605	\$ 29,972,572	\$ 36,101,177
Pension expense	\$ 358,573	\$ 3,220,832	\$ 3,579,405

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 248,213	\$ 383,689	\$ 631,902
Net difference between projected and actual earnings on pension plan investments	-	1,042,978	1,042,978
Changes of assumptions	60,471	3,586,817	3,647,288
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	204,479	506,657	711,136
Contributions subsequent to the measurement date	<u>642,444</u>	<u>2,612,726</u>	<u>3,255,170</u>
Total deferred outflows of resources	<u>\$ 1,155,607</u>	<u>\$ 8,132,867</u>	<u>\$ 9,288,474</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 40,233	\$ 114,654	\$ 154,887
Net difference between projected and actual earnings on pension plan investments	213,859	-	213,859
Changes of assumptions	-	2,699,842	2,699,842
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>117,469</u>	<u>842,147</u>	<u>959,616</u>
Total deferred inflows of resources	<u>\$ 371,561</u>	<u>\$ 3,656,643</u>	<u>\$ 4,028,204</u>

\$3,255,170 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	\$ 49,978	\$ (147,214)	\$ (97,236)
2025	41,726	(175,187)	(133,461)
2026	(305,503)	(853,804)	(1,159,307)
2027	<u>355,400</u>	<u>3,039,703</u>	<u>3,395,103</u>
Total	<u>\$ 141,601</u>	<u>\$ 1,863,498</u>	<u>\$ 2,005,099</u>

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2022, are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.00%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.00% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.00%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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 average 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 asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.00%. 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 earnings were calculated using the long-term assumed investment rate of return (7.00%). 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's 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 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 9,021,014	\$ 6,128,605	\$ 3,691,790

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.50%	2.50%
Projected salary increases	Varies by service from 2.50% to 8.50%	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.00%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00 %</u>	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 45,277,645	\$ 29,972,572	\$ 17,029,219

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 13 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% 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 2023, the District's surcharge obligation was \$86,007.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$86,007 for fiscal year 2023. Of this amount, \$86,007 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2022, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.113696300%	0.138063943%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.115557700%</u>	<u>0.134828620%</u>	
Change in proportionate share	<u>0.001861400%</u>	<u>-0.003235323%</u>	
Proportionate share of the net OPEB liability	\$ 1,622,442	\$ -	\$ 1,622,442
Proportionate share of the net OPEB asset	\$ -	\$ (3,491,161)	\$ (3,491,161)
OPEB expense	\$ (115,062)	\$ (640,838)	\$ (755,900)

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 13,639	\$ 50,609	\$ 64,248
Net difference between projected and actual earnings on OPEB plan investments	8,430	60,772	69,202
Changes of assumptions	258,071	148,712	406,783
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	216,013	8,641	224,654
Contributions subsequent to the measurement date	<u>86,007</u>	<u>-</u>	<u>86,007</u>
Total deferred outflows of resources	<u>\$ 582,160</u>	<u>\$ 268,734</u>	<u>\$ 850,894</u>

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ 1,037,833	\$ 524,309	\$ 1,562,142
Changes of assumptions	666,021	2,475,574	3,141,595
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	227,521	21,809	249,330
Total deferred inflows of resources	\$ 1,931,375	\$ 3,021,692	\$ 4,953,067

\$86,007 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	\$ (330,540)	\$ (812,445)	\$ (1,142,985)
2025	(325,708)	(792,117)	(1,117,825)
2026	(280,935)	(377,191)	(658,126)
2027	(186,087)	(155,377)	(341,464)
2028	(128,004)	(203,327)	(331,331)
Thereafter	(183,951)	(412,502)	(596,453)
Total	\$ (1,435,225)	\$ (2,752,959)	\$ (4,188,184)

Actuarial Assumptions - SERS

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022 are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.00% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	3.69%
Prior measurement date	1.92%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	4.08%
Prior measurement date	2.27%
Medical trend assumption:	
Current measurement date	7.00 to 4.40%
Prior measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08%. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69% at June 30, 2022 and 1.92% at June 30, 2021.

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,015,098	\$ 1,622,442	\$ 1,305,463
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,251,194	\$ 1,622,442	\$ 2,107,352

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

	June 30, 2022		June 30, 2021	
Inflation	2.50%		2.50%	
Projected salary increases	Varies by service from 2.50% to 8.50%		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.00%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.00%	
Blended discount rate of return	N/A		N/A	
Health care cost trends	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50%	3.94%	5.00%	4.00%
Medicare	-68.78%	3.94%	-16.18%	4.00%
Prescription Drug				
Pre-Medicare	9.00%	3.94%	6.50%	4.00%
Medicare	-5.47%	3.94%	29.98%	4.00%

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

**MADISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

For the June 30, 2022 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

Benefit Term Changes Since the Prior Measurement Date - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

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

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00 %</u>	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 3,232,880	\$ 3,491,161	\$ 3,717,021
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 3,621,184	\$ 3,491,161	\$ 3,327,040

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

	<u>General fund</u>
Budget basis	\$ (3,120,178)
Net adjustment for revenue accruals	(182,860)
Net adjustment for expenditure accruals	277,122
Net adjustment for other sources and uses	(116,298)
Funds budgeted elsewhere	<u>101,168</u>
GAAP basis	<u>\$ (3,041,046)</u>

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - SET-ASIDES

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 17 - SET-ASIDES – (Continued)

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

	Capital Improvements
Set-aside balance June 30, 2022	\$ -
Current year set-aside requirement	584,872
Current year qualifying expenditures	-
Current year offsets	(245,467)
Waiver granted by ODE	-
Prior year offset from bond proceeds	(339,405)
Total	\$ -
Balance carried forward to fiscal year 2024	\$ -

During fiscal year 2011, the District issued \$25,800,138 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition to zero in future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods. \$24,316,192 of the \$25,800,138 in proceeds from the issuance has not been used as offsets as of June 30, 2023.

NOTE 18 - TAX ABATEMENTS

The City of Mansfield has entered into property tax abatement agreements with property owners that are within the taxing districts of the District. These agreements include Enterprise Zone Agreements (“EZAs”), the Ohio Community Reinvestment Area (“CRA”) program, and Community Urban Redevelopment Corporations (“CURC”) established under Ohio Revised Code 1728. These programs are direct incentive property tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing structures and promote the development of new structures.

For the District, the City of Mansfield has entered into agreements through these abatement programs that have caused a reduction to the District’s property tax revenues. During fiscal year 2023, the District’s property tax revenues were reduced as follows:

Government Entering Into Agreement	Tax Abatement Program			District Forgone Tax Revenue
	CRA	EZAs	CURC	
City of Mansfield	\$ 45,060	\$ 198,899	\$ 5,651	\$ 249,610

During fiscal year 2023, the District received \$226,654 in compensation payments associated with the forgone property tax revenue. These compensation payments are reported as payments in lieu of taxes on the basic financial statements.

NOTE 19 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2023, the District received COVID-19 funding. The District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 20 – SUBSEQUENT EVENT

On November 7, 2023, the District passed a new 7.5 mill operating levy that will last through fiscal year 2029. The levy will generate approximately \$3.4 million per year for five years.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability	0.11330850%	0.10997420%	0.11297040%	0.10922730%	0.11216090%
District's proportionate share of the net pension liability	\$ 6,128,605	\$ 4,057,729	\$ 7,472,100	\$ 6,535,261	\$ 6,423,662
District's covered payroll	\$ 4,272,436	\$ 3,880,029	\$ 3,869,886	\$ 3,655,207	\$ 3,773,222
District's proportionate share of the net pension liability as a percentage of its covered payroll	143.45%	104.58%	193.08%	178.79%	170.24%
Plan fiduciary net position as a percentage of the total pension liability	75.82%	82.86%	68.55%	70.85%	71.36%

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014
0.11185230%	0.11512510%	0.11692560%	0.11825500%	0.11825500%
\$ 6,682,928	\$ 8,426,095	\$ 6,671,888	\$ 5,984,818	\$ 7,032,245
\$ 3,642,500	\$ 3,688,886	\$ 3,519,712	\$ 3,436,248	\$ 3,414,234
183.47%	228.42%	189.56%	174.17%	205.97%
69.50%	62.98%	69.16%	71.70%	65.52%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability	0.13482862%	0.13806394%	0.13404430%	0.13482668%	0.13812608%
District's proportionate share of the net pension liability	\$ 29,972,572	\$ 17,652,716	\$ 32,433,951	\$ 29,816,110	\$ 30,370,824
District's covered payroll	\$ 17,720,936	\$ 17,162,500	\$ 16,371,571	\$ 15,525,343	\$ 14,452,629
District's proportionate share of the net pension liability as a percentage of its covered payroll	169.14%	102.86%	198.11%	192.05%	210.14%
Plan fiduciary net position as a percentage of the total pension liability	78.88%	87.78%	75.48%	77.40%	77.31%

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014
0.13804656%	0.13914933%	0.13547969%	0.13915392%	0.13915392%
\$ 32,793,256	\$ 46,577,475	\$ 37,442,624	\$ 33,847,049	\$ 40,318,384
\$ 15,323,357	\$ 14,466,329	\$ 14,135,036	\$ 14,217,685	\$ 13,752,492
214.01%	321.97%	264.89%	238.06%	293.17%
75.30%	66.80%	72.10%	74.70%	69.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 642,444	\$ 598,141	\$ 543,204	\$ 541,784
Contributions in relation to the contractually required contribution	<u>(642,444)</u>	<u>(598,141)</u>	<u>(543,204)</u>	<u>(541,784)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,588,886	\$ 4,272,436	\$ 3,880,029	\$ 3,869,886
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 493,453	\$ 509,385	\$ 509,950	\$ 516,444	\$ 463,898	\$ 476,264
<u>(493,453)</u>	<u>(509,385)</u>	<u>(509,950)</u>	<u>(516,444)</u>	<u>(463,898)</u>	<u>(476,264)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,655,207	\$ 3,773,222	\$ 3,642,500	\$ 3,688,886	\$ 3,519,712	\$ 3,436,248
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 2,612,726	\$ 2,480,931	\$ 2,402,750	\$ 2,292,020	\$ 2,173,548
Contributions in relation to the contractually required contribution	<u>(2,612,726)</u>	<u>(2,480,931)</u>	<u>(2,402,750)</u>	<u>(2,292,020)</u>	<u>(2,173,548)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 18,662,329	\$ 17,720,936	\$ 17,162,500	\$ 16,371,571	\$ 15,525,343
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 2,023,368	\$ 2,145,270	\$ 2,025,286	\$ 1,978,905	\$ 1,848,299
<u>(2,023,368)</u>	<u>(2,145,270)</u>	<u>(2,025,286)</u>	<u>(1,978,905)</u>	<u>(1,848,299)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,452,629	\$ 15,323,357	\$ 14,466,329	\$ 14,135,036	\$ 14,217,685
14.00%	14.00%	14.00%	14.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.11555770%	0.11369630%	0.11701650%	0.11208550%	0.11392380%	0.11358270%	0.11679580%
District's proportionate share of the net OPEB liability	\$ 1,622,442	\$ 2,151,797	\$ 2,543,152	\$ 2,818,716	\$ 3,160,554	\$ 3,048,261	\$ 3,329,112
District's covered payroll	\$ 4,272,436	\$ 3,880,029	\$ 3,869,886	\$ 3,655,207	\$ 3,773,222	\$ 3,642,500	\$ 3,688,886
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	37.97%	55.46%	65.72%	77.12%	83.76%	83.69%	90.25%
Plan fiduciary net position as a percentage of the total OPEB liability	30.34%	24.08%	18.17%	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.13482862%	0.13806394%	0.13404430%	0.13482668%	0.13812608%	0.13804656%	0.13914933%
District's proportionate share of the net OPEB liability/(asset)	\$ (3,491,161)	\$ (2,910,965)	\$ (2,355,828)	\$ (2,233,053)	\$ (2,219,545)	\$ 5,386,068	\$ 7,441,742
District's covered payroll	\$ 17,720,936	\$ 17,162,500	\$ 16,371,571	\$ 15,525,343	\$ 14,452,629	\$ 15,323,357	\$ 14,466,329
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	19.70%	16.96%	14.39%	14.38%	15.36%	35.15%	51.44%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	230.73%	174.73%	182.10%	174.70%	176.00%	47.10%	37.33%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019
Contractually required contribution	\$ 86,007	\$ 73,925	\$ 74,418	\$ 74,168	\$ 87,388
Contributions in relation to the contractually required contribution	(86,007)	(73,925)	(74,418)	(74,168)	(87,388)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,588,886	\$ 4,272,436	\$ 3,880,029	\$ 3,869,886	\$ 3,655,207
Contributions as a percentage of covered payroll	1.87%	1.73%	1.92%	1.92%	2.39%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 81,019	\$ 62,269	\$ 59,653	\$ 88,848	\$ 57,812
<u>(81,019)</u>	<u>(62,269)</u>	<u>(59,653)</u>	<u>(88,848)</u>	<u>(57,812)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,773,222	\$ 3,642,500	\$ 3,688,886	\$ 3,519,712	\$ 3,436,248
2.15%	1.71%	1.62%	2.52%	1.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 18,662,329	\$ 17,720,936	\$ 17,162,500	\$ 16,371,571	\$ 15,525,343
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ -	\$ -	\$ -	\$ -	\$ 136,941
-	-	-	-	(136,941)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,452,629	\$ 15,323,357	\$ 14,466,329	\$ 14,135,036	\$ 14,217,685
0.00%	0.00%	0.00%	0.00%	0.96%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- For fiscal year 2019, with the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PENSION (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2023.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.
- For fiscal year 2023, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the projected salary increases went from 12.50% at age 20 to 2.50% at age 65 to varies by service from 2.50% to 8.50%.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- There were no changes in benefit terms from the amounts reported for fiscal year 2018.
- There were no changes in benefit terms from the amounts reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts reported for fiscal year 2021.
- There were no changes in benefit terms from the amounts reported for fiscal year 2022.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO (CONTINUED)

Changes in assumptions :

- For fiscal year 2017, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.

- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%, and (c) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22% to 2.63%.

- For fiscal year 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.

- For fiscal year 2023, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) municipal bond index rate went from 1.92% to 3.69%, (b) single equivalent interest rate when from 2.27% to 4.08% and (c) medical trend assumptions went from 5.125% to 4.40% Medicare and 6.75% to 4.40% Pre-Medicare to 7.00% to 4.40%.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2023.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO (CONTINUED)

Changes in assumptions (continued):

- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.
- For fiscal year 2023, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) projected salary increase went from 12.50% at age 20 to 2.50% at age 65 to varies by services from 2.50% to 8.50% and (b) health care cost trend rates were changed to the following: Pre-Medicare from 5.00% initial - 4.00% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -16.18% initial - 4.00% ultimate to -68.78% initial - 3.94% ultimate; prescription drug Pre-Medicare from 6.50% initial - 4.00% ultimate to 9.00% initial - 3.94% ultimate; Medicare from 29.98% initial - 4.00% ultimate to -5.47% initial - 3.94% ultimate.

SUPPLEMENTARY INFORMATION

**MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION	TOTAL EXPENDITURES OF FEDERAL AWARDS
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	2023	\$ 175,465
National School Lunch Program	10.555	2022	647,692
National School Lunch Program	10.555	2023	507,535
COVID-19 - National School Lunch Program	10.555	COVID-19, 2023	68,649
National School Lunch Program - Food Donation	10.555	2023	88,057
Total National School Lunch Program			1,311,933
Total Child Nutrition Cluster			1,487,398
Child and Adult Care Food Program	10.558	2023	64,244
COVID-19 - State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	COVID-19, 2023	3,063
Total U.S. Department of Agriculture			1,554,705
U.S. DEPARTMENT OF THE TREASURY			
<i>Passed Through the Ohio Office of Budget and Management</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - School Safety Round #2-4	21.027	COVID-19	243,399
Total U.S. Department of the Treasury			243,399
U.S. DEPARTMENT OF EDUCATION			
<i>Direct</i>			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063	N/A	176,880
Federal Direct Student Loans	84.268	N/A	52,680
Total Student Financial Assistance Cluster			229,560
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010A	84.010A, 2022	80,792
Title I Grants to Local Educational Agencies	84.010A	84.010A, 2023	751,528
<i>Consortium Amount Passed/Transferred to the Mid-Ohio Educational Service Center</i>			
Title I Grants to Local Educational Agencies - Neglected	84.010A	84.010A, 2023	113,826
Total Title I Grants to Local Educational Agencies			946,146
Special Education Cluster (IDEA):			
Special Education_ Grants to States (IDEA, Part B)	84.027A	84.027A, 2022	87,675
Special Education_ Grants to States (IDEA, Part B)	84.027A	84.027A, 2023	687,882
COVID-19 - Special Education_ Grants to States (IDEA, Part B) - ARP	84.027X	COVID-19, 84.027X, 2023	88,593
Total Special Education_ Grants to States (IDEA, Part B)			864,150
Special Education_ Preschool Grants (IDEA Preschool)	84.173A	84.173A, 2023	19,473
COVID-19 - Special Education_ Preschool Grants (IDEA Preschool) - ARP	84.173X	COVID-19, 84.173X, 2023	11,208
Total Special Education_ Preschool Grants (IDEA Preschool)			30,681
Total Special Education Cluster (IDEA)			894,831
Career and Technical Education - Basic Grants to States - Adult	84.048A	84.048A, 2023	70,427
Career and Technical Education - Basic Grants to States - Secondary	84.048A	84.048A, 2023	54,483
Total Career and Technical Education - Basic Grants to States			124,910
<i>Consortium Amount Passed/Transferred to the Mid-Ohio Educational Service Center</i>			
English Language Acquisition State Grants - Title III - Language Instruction for English Learners	84.365A	84.365A, 2023	498
Supporting Effective Instruction State Grants	84.367A	84.367A, 2022	10,781
Supporting Effective Instruction State Grants	84.367A	84.367A, 2023	99,926
Total Supporting Effective Instruction State Grants			110,707
Student Support and Academic Enrichment Program	84.424A	84.424A, 2022	4,474
Student Support and Academic Enrichment Program	84.424A	84.424A, 2023	57,995
Total Student Support and Academic Enrichment Program			62,469

**MADISON LOCAL SCHOOL DISTRICT
 RICHLAND COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION	TOTAL EXPENDITURES OF FEDERAL AWARDS
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	COVID-19, 84.425D, 2022	2,933
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	COVID-19, 84.425D, 2023	1,240,933
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	COVID-19, 84.425D, 2023	2,290,889
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund - Homeless Round II	84.425W	COVID-19, 84.425W, 2023	1,000
<i>Direct</i>			
COVID-19 - Higher Education Emergency Relief Fund II (HEERF II) - Student Aide Portion	84.425E	COVID-19, 84.425E, 2022	51,781
COVID-19 - Higher Education Emergency Relief Fund II (HEERF II) -Institutional Portion	84.425F	COVID-19, 84.425F, 2022	66,950
COVID-19 - Higher Education Emergency Relief Fund II (HEERF II) - Student Aide Portion	84.425E	COVID-19, 84.425E, 2022	87,495
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Fund for the Improvement of Postsecondary Education (FIPSE) Formula Grant	84.425N	COVID-19, 84.425N, 2022	1,231
Total Education Stabilization Fund			<u>3,743,212</u>
Total U.S. Department of Education			<u>6,112,333</u>
Total Federal Financial Assistance			<u>\$ 7,910,437</u>

The accompanying notes are an integral part of this schedule.

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Madison Local School District under programs of the federal government for the fiscal year ended June 30, 2023 and is prepared in accordance with the cash basis of accounting. 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 Madison Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Madison Local School District. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

NOTE 2 – DE MINIMIS COST RATE

CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The Madison Local School District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - CHILD NUTRITION CLUSTER

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

NOTE 4 – FOOD DONATION PROGRAM

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

NOTE 5 – PASS-THROUGH FUNDS

The Madison Local School District was awarded federal program allocations to be administered on their behalf by the Mid-Ohio Educational Service Center. For fiscal year 2023, the Madison Local School District's allocation was as follows:

Title I Grants to Local Educational Agencies - Neglected (ALN 84.010A) \$113,826
English Language Acquisition State Grants - Title III - Language Instruction for English Learners (ALN 84.365A)
\$498

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Madison Local School District
Richland County
1379 Grace Street
Mansfield, Ohio 44905

To the Members of the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Madison Local School District’s basic financial statements, and have issued our report thereon dated December 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Madison Local School District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Madison Local School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Madison Local School District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Madison Local School District’s financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Madison Local School District
Richland County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Madison Local School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Madison Local School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Madison Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 27, 2023

**Independent Auditor’s Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance
Required by the Uniform Guidance**

Madison Local School District
Richland County
1379 Grace Street
Mansfield, Ohio 44905

To the Members of the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Madison Local School District’s compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Madison Local School District’s major federal programs for the fiscal year ended June 30, 2023. The Madison Local School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings.

In our opinion, the Madison Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the “Auditor’s Responsibilities for the Audit of Compliance” section of our report.

We are required to be independent of the Madison Local School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Madison Local School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Madison Local School District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Madison Local School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Madison Local School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Madison Local School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Madison Local School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Madison Local School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Madison Local School District
Richland County
Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance
Required by the Uniform Guidance

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 27, 2023

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Cluster; COVID-19 - Education Stabilization Fund (ALN 84.425)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

OHIO AUDITOR OF STATE KEITH FABER



MADISON LOCAL SCHOOL DISTRICT

RICHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/8/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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