



Mary Taylor, CPA
Auditor of State

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Madison Local School District
Lake County
6741 North Ridge Road
Madison, Ohio 44057

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Madison Local School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Madison Local School District, Lake County, Ohio, as of June 30, 2008, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof and for the year then ended in conformity with the basis of accounting Note 2 describes.

Generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended June 30, 2008. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

June 9, 2009

Madison Local School District
Lake County
Statement of Net Assets - Cash Basis
June 30, 2008

	Governmental Activities	Business - Type Activities	Total
Assets			
Cash and Cash Equivalents	\$5,613,885	\$299,878	\$5,913,763
Total Assets	\$5,613,885	\$299,878	\$5,913,763
Net Assets			
Restricted for:			
Special Revenue	544,883		\$544,883
Capital Projects	308,265	0	\$308,265
Debt Service	564,797	0	\$564,797
Set Asides	814,848	0	\$814,848
Other Purposes	159,877	0	\$159,877
Unrestricted	3,221,215	299,878	\$3,521,093
Total Net Assets	\$5,613,885	\$299,878	\$5,913,763

See accompanying notes to the basic financial statements

Madison Local School District
Lake County
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2008

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>		
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities						
Instruction:						
Regular	\$13,680,929	\$1,626,713	\$241,479	(\$11,812,737)	\$0	(\$11,812,737)
Special	3,752,059	0	668,823	(3,083,236)	0	(3,083,236)
Vocational	150,761	0	23,553	(127,208)	0	(127,208)
Adult/Continuing	30,221	0	71,065	40,844	0	40,844
Other	170,454	0	99,336	(71,118)	0	(71,118)
Support Services:						
Pupil	1,733,807	0	111,970	(1,621,837)	0	(1,621,837)
Instructional Staff	541,804	0	42,326	(499,478)	0	(499,478)
Board of Education	306,548	0	0	(306,548)	0	(306,548)
Administration	2,486,427	0	215,015	(2,271,412)	0	(2,271,412)
Fiscal	553,288	0	0	(553,288)	0	(553,288)
Business	798,610	0	0	(798,610)	0	(798,610)
Operation and Maintenance of Plant	1,917,044	0	27,812	(1,889,232)	0	(1,889,232)
Pupil Transportation	2,511,090	213,342	17,970	(2,279,778)	0	(2,279,778)
Central	1,134,277	0	8,569	(1,125,708)	0	(1,125,708)
Non-Instructional Services:						
Community Services	2,340	0	3,671	1,331	0	1,331
Extracurricular Activities:						
Academic and Subject Oriented	165,672	88,344	0	(77,328)	0	(77,328)
Sports-Oriented	496,544	236,415	0	(260,129)	0	(260,129)
Co-Curricular Activities	56,530	0	0	(56,530)	0	(56,530)
Debt Service:						
Principal Retirement	660,000	0	0	(660,000)	0	(660,000)
Interest and Fiscal Charges	330,743	0	0	(330,743)	0	(330,743)
Total Governmental Activities	31,479,148	2,164,814	1,531,589	(27,782,745)	0	(27,782,745)
Business Type Activity						
Food Service	987,412	474,676	477,558	0	(35,178)	(35,178)
Uniform School Supplies	113,660	89,906	0	0	(23,754)	(23,754)
Special Enterprise	290,903	264,440	0	0	(26,463)	(26,463)
Special Rotary	0	182	0	0	182	182
Total Business Type Activity	1,391,975	829,204	477,558	0	(85,213)	(85,213)
Total	\$32,871,123	\$2,994,018	\$2,009,147	(\$27,782,745)	(\$85,213)	(\$27,867,958)
General Receipts						
Property Taxes Levied for:						
General Purposes				10,667,605	0	10,667,605
Debt Service				817,439	0	817,439
Capital Projects				171,058	0	171,058
Grants and Entitlements not						
Restricted to Specific Programs				15,944,404	0	15,944,404
Interest				312,934	0	312,934
Sale of Fixed Assets				50,464	0	50,464
Miscellaneous				269,536	500	270,036
Transfers				(90,000)	90,000	0
Total General Receipts				\$28,143,440	\$90,500	\$28,233,940
Change in Net Assets				360,695	5,287	365,982
Net Assets Beginning of Year				5,253,190	294,591	5,547,781
Net Assets End of Year				\$5,613,885	\$299,878	\$5,913,763

See accompanying notes to the basic financial statements

Madison Local School District
Lake County

Statement of Cash Basis Assets and Fund Balances Cash Basis
Governmental Funds
June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$4,063,870	\$1,550,015	\$5,613,885
Total Assets	\$4,063,870	\$1,550,015	\$5,613,885
Fund Balances			
Reserved for Encumbrances	\$27,807	\$132,070	\$159,877
Reserved for Textbooks	694,685	0	694,685
Reserved for Budget Stabilization	120,163	0	120,163
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	3,221,215	0	3,221,215
Special Revenue Funds	0	544,883	544,883
Debt Service Fund	0	564,797	564,797
Capital Projects Funds	0	308,265	308,265
Total Fund Balances	\$4,063,870	\$1,550,015	\$5,613,885

See accompanying notes to the basic financial statements

**Madison Local School District
Lake County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2008*

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property Taxes	\$10,667,605	\$988,497	\$11,656,102
Intergovernmental	16,034,947	1,441,045	17,475,992
Earnings on Investment	308,936	3,998	312,934
Tuition	1,626,713	0	1,626,713
Transportation Fees	213,342	0	213,342
Extra Curricular Activities	0	324,759	324,759
Miscellaneous	160,137	84,245	244,382
Total Receipts	<u>29,011,680</u>	<u>2,842,544</u>	<u>31,854,224</u>
Disbursements			
Instruction:			
Regular	13,414,519	266,410	13,680,929
Special	3,410,471	341,588	3,752,059
Vocational	150,761	0	150,761
Adult/Continuing	0	30,221	30,221
Other	170,454	0	170,454
Support Services:			
Pupil	1,463,519	270,288	1,733,807
Instructional Staff	405,088	136,716	541,804
Board of Education	306,548	0	306,548
Administration	2,137,959	348,468	2,486,427
Fiscal	553,288	0	553,288
Business	798,610	0	798,610
Operation and Maintenance of Plant	1,912,044	5,000	1,917,044
Pupil Transportation	2,057,469	453,621	2,511,090
Central	1,062,052	72,225	1,134,277
Non-Instructional Services:			
Community Services	0	2,340	2,340
Extracurricular Activities:			
Academic and Subject Oriented	54,691	110,981	165,672
Sports-Oriented	341,656	154,888	496,544
Co-Curricular Activities	43,883	12,645	56,528
Debt Service:			
Principal Retirement	0	660,000	660,000
Interest and Fiscal Charges	0	330,743	330,743
Total Disbursements	<u>28,283,012</u>	<u>3,196,134</u>	<u>31,479,146</u>
Excess of Receipts Over (Under) Disbursements	<u>728,668</u>	<u>(353,590)</u>	<u>375,078</u>
Other Financing Sources (Uses)			
Transfers - In	0	107,490	107,490
Advances - In	429,267	440,564	869,831
Refund of Prior Year Expenditures	25,153	0	25,153
Sale of Assets	39,476	10,988	50,464
Transfers - Out	(194,051)	(3,439)	(197,490)
Advances Out	(440,564)	(429,267)	(869,831)
Total Other Financing Sources (Uses)	<u>(140,719)</u>	<u>126,336</u>	<u>(14,383)</u>
Net Change in Fund Balances	587,949	(227,254)	360,695
Fund Balances Beginning of Year	<u>3,475,921</u>	<u>1,777,269</u>	<u>5,253,190</u>
Fund Balances End of Year	<u>\$4,063,870</u>	<u>\$1,550,015</u>	<u>\$5,613,885</u>

See accompanying notes to the basic financial statements

Madison Local School District
Lake County
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$10,220,243	\$10,513,585	\$10,667,605	\$154,020
Intergovernmental	\$15,362,498	\$15,803,432	16,034,947	231,515
Earnings on Investment	\$295,980	\$304,476	308,936	4,460
Tuition	\$1,558,494	\$1,603,226	1,626,713	23,487
Extracurricular Activities	\$204,395	\$210,262	213,342	3,080
Miscellaneous	\$153,421	\$157,825	160,137	2,312
Total Revenues	<u>27,795,032</u>	<u>28,592,805</u>	<u>29,011,680</u>	<u>418,875</u>
Expenditures				
Current:				
Instruction:				
Regular	13,407,731	13,644,879	13,414,519	230,360
Special	3,408,745	3,469,037	3,410,471	58,566
Vocational	150,685	153,350	150,761	2,589
Adult				
Other	170,368	173,381	170,454	2,927
Support Services:				
Pupil	1,462,778	1,488,651	1,463,519	25,132
Instructional Staff	404,883	412,044	405,088	6,956
Board of Education	306,393	311,812	306,548	5,264
Administration	2,136,877	2,174,673	2,137,959	36,714
Fiscal	553,008	562,789	553,288	9,501
Business	798,206	812,324	798,610	13,714
Operation and Maintenance of Plant	1,911,077	1,944,879	1,912,044	32,835
Central	1,061,515	1,080,290	1,062,052	18,238
Extracurricular Activities				
Academic and Subject Oriented	54,663	55,630	54,691	939
Sports-Oriented	341,483	347,523	341,656	5,867
Co-Curricular Activities	43,861	44,637	43,883	754
Total Expenditures	<u>28,268,701</u>	<u>28,768,701</u>	<u>28,283,012</u>	<u>485,689</u>
Excess of Revenues Over (Under) Expenditures	<u>(473,669)</u>	<u>(175,896)</u>	<u>728,668</u>	<u>904,564</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	25,153	25,153	25,153	0
Sale of Assets	0	0	39,476	39,476
Advances In	429,267	429,267	429,267	0
Advances Out	(440,564)	(440,564)	(440,564)	0
Transfers Out	(194,051)	(194,051)	(194,051)	0
Total Other Financing Sources (Uses)	<u>(180,195)</u>	<u>(180,195)</u>	<u>(140,719)</u>	<u>39,476</u>
Net Change in Fund Balance	<u>(653,864)</u>	<u>(356,091)</u>	<u>587,949</u>	<u>944,040</u>
Fund Balance Beginning of Year	<u>3,399,429</u>	<u>3,399,429</u>	<u>3,399,429</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>76,492</u>	<u>76,492</u>	<u>76,492</u>	<u>0</u>
Fund Balance End of Year	<u>\$2,822,057</u>	<u>\$3,119,830</u>	<u>\$4,063,870</u>	<u>\$944,040</u>

See accompanying notes to the basic financial statements

Madison Local School District
Lake County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
June 30, 2008

	Business - Type Activity
	Enterprise
Assets	
Equity in Pooled Cash and Cash Equivalents	\$299,878
Net Assets	
Unrestricted	\$299,878

See accompanying notes to the basic financial statements

Madison Local School District
Lake County
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	Business - Type Activity
	Enterprise
Operating Receipts:	
Tuition	\$221,023
Food Services	474,676
Extracurricular Activities	182
Classroom Materials and Fees	89,906
Total Operating Receipts	785,787
Operating Disbursements:	
Salaries and Wages	603,123
Retirement and Insurance	231,064
Purchased Services	30,386
Supplies and Materials	527,259
Capital Outlay	143
Total Operating Disbursements	1,391,975
Operating Loss	(606,188)
Non-Operating Revenues:	
Miscellaneous	500
Intergovernmental Revenue	520,975
Total Non-Operating Revenues	521,475
Excess of Disbursements Over Receipts	(84,713)
Other Financing Sources:	
Transfers-In	90,000
Total Other Financing Sources	90,000
Change in Net Assets	5,287
Net Assets Beginning of Year	294,591
Net Assets End of Year	\$299,878

See accompanying notes to the basic financial statements

Madison Local School District
Lake County
Statement of Fiduciary Net Assets - Cash Basis
Agency Fund
June 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$66,358</u>
Net Assets	
Unrestricted	<u>\$66,358</u>

See accompanying notes to the basic financial statements

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Reporting Entity

Madison Local School District (the "School District") is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and federal guidelines.

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 41 square miles. It is located mostly in Lake County, partially in Geauga County, and includes all of the territory of the Village of Madison and Madison Township, and a portion of Thompson Township. It is staffed by 129 non-certified employees, 234 certified full-time teaching personnel, and 11 administrators who provide services to 3,446 students and other community members. The School District currently operates five instructional buildings, one administrative building, a maintenance garage and a bus garage.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Madison Local School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

The School District is associated with three jointly governed organizations, a claims servicing pool, a related organization and an insurance purchasing pool. These organizations are the Lake Geauga Computer Association, the Auburn Career Center, the Ohio Schools Council Association, the Lake County Council of Governments Health Care Benefits Self-Insurance Program, the Madison Public Library and the Ohio School Boards' Association Workers' Compensation Group Rating Program which are presented in Notes 14, 15, 16 and 17 to the basic financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2 C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989, to its business-type activity and to its enterprise fund. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's only major fund is the General Fund.

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

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

Proprietary Funds The School District classifies funds financed primarily from user charges for goods or services as proprietary. The School District only has enterprise funds.

Enterprise Funds - The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services. The School District's enterprise fund accounts for food service operations, uniform school supplies, latchkey, and preschool.

Fiduciary Funds The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were passed by the Board.

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

During fiscal year 2008, investments were limited to STAROhio and Federal Agencies. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2008 was \$308,936, which included \$114,321 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money required by State statute to be set aside for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization. See Note 13 for additional information regarding set asides.

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$2,392,670, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbooks and budget stabilization.

The reserve for textbooks represents money required to be set-aside by state statute for the purchase of textbooks and instructional materials. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

O. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 3 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$27,807.

Note 5 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can 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 payment of 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 5 – Deposits and Investments (Continued)

Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates 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 division (1) or (2) 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 Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$1,979,823 of the School District's bank balance of \$2,304,344 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2008, the School District had the following investments:

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 5 – Deposits and Investments (Continued)

<u>Investment</u>	<u>Amount</u>	<u>Average Maturity (days)</u>
Farmers M A C	\$49,255	29
Federal Home Loan Bank	448,630	644
Federal National Mortgage Association	397,324	518
Federal Home Loan Mortgage Corporation	200,000	351
Federal Prime Obligations	1,469,161	30
STAR Ohio	<u>1,348,093</u>	34
Totals	<u>\$3,912,463</u>	

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District’s investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk The Farmers MAC, Federal Home Loan Bank Notes, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation carry a rating of AAA by Standard & Poor’s and Federal Government Obligation and STAROhio carry a rating of AAAM by Standard & Poor’s. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the School 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 Farmers MAC, Federal Home Loan Bank Notes, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent but not in the District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The District’s investment in Farmers MAC represents 1.26%, Federal Home Loan Bank Notes represents 11.47%, Federal National Mortgage Association Notes represents 10.16%, Federal Home Loan Mortgage Corporation represents 5.11%, Federal Prime Obligations represents 37.55% and STAROhio represents 34.45%, respectively, of the District’s total investments.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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, public utility and tangible personal property (used in business) located in the School District. Real property tax receipts received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax receipts received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lake and Geauga Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2008 was \$491,193 in the general fund, \$46,192 in the debt service fund and \$10,313 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2007 was \$563,498 in the General Fund, \$52,268 in the Debt Service Fund, and \$11,290 in the Permanent Improvement Capital Projects Fund.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 6 - Property Taxes (Continued)

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$398,360,030	96.00 %	\$403,787,360	96.85 %
Public Utility Personal	10,964,420	2.64	7,446,110	1.79
Tangible Personal Property	5,658,923	1.36	5,672,655	1.36
Total	\$414,983,373	100.00 %	\$416,906,125	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$55.49		 \$55.46	

Note 7 - Interfund Transfers

During fiscal year 2008, the general fund transferred \$76,051 to the bond retirement debt service fund to pay for the debt payments associated with long term debt obligations.

During fiscal year 2008, the general fund transferred \$28,000 to the management information system special revenue fund to properly account for total EMIS expenditures.

During fiscal year 2008, the general fund transferred \$90,000 to the food service enterprise fund to subsidize food service operations.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with various insurance agencies for various types of insurance. Coverage is as follows:

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 8 - Risk Management (Continued)

Package Policy Indiana Insurance Company	Limits
Blanket Property Coverage	\$50,216,641
Equipment Breakdown - subject to policy limits (\$1,000 Ded.)	
Miscellaneous Property - Cameras (\$250 Ded.)	\$567,190
Miscellaneous Property - Musical Instruments (\$250 Ded.)	\$273,210
Miscellaneous Property - Band Uniforms (\$250 Ded.)	\$84,261
Miscellaneous Property - Mobil Agricultural Equipment (\$250 Ded.)	\$76,591
Computer Coverage (\$100 Ded.)	\$2,623,547
General Liability Coverage	\$2,000,000
Sexual Misconduct	\$1,000,000
Employee Benefits Liability Claims Made (\$1,000 Ded)	\$1,000,000
Employers Stop Gap Liability	\$1,000,000
School Leaders E & O Liability Claims Made (\$2,500 Ded.)	\$1,000,000
Public Employee Dishonesty Blanket Bond	\$10,000
Forgery and Alteration	\$10,000
Money and Securities (on premises)	\$10,000
Theft, Disappearance & Destruction (off premises)	\$10,000
Automobile Policy	
Indiana Insurance Company	
Auto Liability	\$1,000,000
Medical Payments	\$5,000
Uninsured Motorists Liability	\$50,000
Comp/Collision Deductibles (\$1,000)	
Hired & Non-Owned Liability Coverage	\$1,000,000
Umbrella Policy	
Indiana Insurance Company	
Umbrella Policy Limit	\$4,000,000
Retained Limit	\$10,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

All employees of the School District are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

B. Employee Medical Coverage

The School District has elected to provide medical coverage through premium payment to the the Lake County Council of Governments Health Care Benefits Program.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 8 - Risk Management (Continued)

C. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 9 - Defined Benefit Pension Plans

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$462,337, \$449,249 and \$436,838 respectively; 75.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. State Teachers Retirement System (Continued)

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,815,758, \$1,764,286, and \$1,782,711 respectively; 95.30 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$15,661 made by the School District and \$16,444 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 10 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$38,202.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$248,688, \$203,382, and \$237,509 respectively; 75.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$37,607, \$31,187, and \$34,273 respectively; 72.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 10 - Postemployment Benefits (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$167,605, \$162,144, and \$166,498 respectively; 95.30 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 11 - Contingencies

A. Grants

The School District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

As of June 30, 2008, the School District was a party to legal proceedings. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the School District’s financial condition.

Note 12 – Debt

The changes in the District’s long-term obligations during the year consist of the following:

			<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>
<u>Building Bonds:</u>						
	<u>Issued</u>	<u>Interest</u>				
Library Facilities	02/01/98	5.31%	\$710,000	\$0	\$45,000	\$665,000
Library Bonds II	01/26/99	4.64%	900,000	0	60,000	840,000
Facilities	01/15/93	3.1 to 4.55%	<u>5,355,000</u>	<u>0</u>	<u>500,000</u>	<u>4,855,000</u>
Total Building Bonds			6,965,000	0	605,000	6,360,000
<u>Improvement Bonds:</u>						
	<u>Issued</u>	<u>Interest</u>				
Energy Conservation	10/01/02	4.34%	<u>505,000</u>	<u>0</u>	<u>55,000</u>	<u>450,000</u>
Total Bonds			<u><u>\$7,470,000</u></u>	<u><u>\$0</u></u>	<u><u>\$660,000</u></u>	<u><u>\$6,810,000</u></u>

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 12 – Debt (Continued)

The District issued Library Bonds in 1993, 1998 and 1999 for the purpose of construction, enlargement, and improvement of public library facilities, including equipment, furnishings, parking facilities and site improvements.

The District issued Library Bonds in 1999 for the purpose of construction, enlargement, and improvement of public library facilities, including equipment, furnishings, parking facilities and site improvements.

The District issued Energy Conservation Bonds in 2002 for conservation projects consisting of replacement of windows, doors and boilers, installation of a HVAC system and variable frequency speed drives; and tune-up of existing boilers at selected schools within the district.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2008 are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2009	685,000	294,649	979,649
2010	710,000	265,254	975,254
2011	740,000	233,783	973,783
2012	780,000	200,193	980,193
2013	795,000	200,201	995,201
2014-2018	2,925,000	256,017	3,181,017
2019	175,000	4,430	179,430
Total	<u>\$6,810,000</u>	<u>1,454,527</u>	<u>\$8,264,527</u>

Note 13 - Set Aside Requirements

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisitions and budget stabilization. Disclosure of this information is required by the State statute.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 13 - Set Aside Requirements (Continued)

	Textbooks Instructional Materials Reserve	Capital Improvements	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2007	\$826,218	\$0	\$120,163
Current Year Set-aside Requirement	542,150	542,150	0
Current Year Offsets	0	(206,483)	0
Qualifying Disbursements	(673,683)	(851,165)	0
Totals	<u>\$694,685</u>	<u>(\$515,498)</u>	<u>\$120,163</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$694,685</u>	<u>\$0</u>	<u>\$120,163</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$694,685</u>	<u>\$0</u>	<u>\$120,163</u>

The School District has qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$814,848.

Note 14 - Jointly Governed Organizations

Lake Geauga Computer Association - The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 18 member school districts. Each of the school districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent upon the School District's continued participation. In fiscal year 2008, the School District paid \$19,209 to the computer association. Financial information can be obtained by writing the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

Auburn Career Center - The Auburn Career Center is a joint vocational school operated by eleven school districts. Each participating school district appoints one board member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participants control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained from the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 14 - Jointly Governed Organizations (Continued)

The Ohio Schools Council Association - The Ohio Schools Council Association (Council) is a jointly governed organization among 121 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2008, the School District paid \$12,464 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's natural gas program. The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. There are currently 137 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced.

Note 15 – Claims Servicing Pool

The School District participates in the Lake County Council of Governments Health Care Benefits (HCBP) Self Insurance Program, a claims servicing pool comprised of nine Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five member Board of Directors elected by the HCBP's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. Financial information can be obtained from the Lake County Educational Service Center at 30 South Park Place, Suite 30, Painesville, Ohio 44077.

Madison Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 16 - Related Organization

The Madison Public Library - The Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Madison Local School District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and issues tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Madison Public Library, Nancy Currie, Clerk/Treasurer, at 6111 Middle Ridge Road, Madison, Ohio 44057.

Note 17 - Insurance Purchasing Pool

The School District participates in the Ohio School Boards' Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of OSBA. The Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 18 - Lake County School Financing District

The Lake County Educational Service Center has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Revised Code, created a county school financing district known as the Lake County School Financing District (the "Financing District") for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

The Lake County Educational Service Center acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Ohio Revised Code. The Financing District receives settlements of taxes levied and distributes within ten days to each of the Member Districts; each of such Member District's proportionate shares of that tax settlement. Each Member District's proportionate share is a fraction, the numerator being Member District's total pupil population and the denominator being the aggregate pupil population of all Member Districts as of that date. The District reports this revenue in the accounts of Taxes.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
Food Donation	10.550	\$ -	\$ 59,470	\$ -	\$ 59,470
Nutrition Cluster: School Breakfast Program	10.553	45,562	-	45,562	-
National School Lunch Program	10.555	<u>418,037</u>		<u>418,037</u>	
Total Nutrition Cluster		<u>463,599</u>	-	<u>463,599</u>	-
Total U.S. Department of Agriculture		<u>463,599</u>	<u>59,470</u>	<u>463,599</u>	<u>59,470</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster: Special Education: Grants to States	84.027	668,823	-	657,171	-
Special Education: Preschool Grants	84.173	<u>23,553</u>	-	<u>23,571</u>	-
Total Special Education Cluster		<u>692,376</u>	-	<u>680,742</u>	-
Title I Grants to Local Educational Agencies	84.010	163,829	-	180,531	-
Safe and Drug-Free Schools and Communities State Grants	84.186	8,569	-	2,729	-
Innovative Education Program Strategies	84.298	4,932	-	26,461	-
Education Technology State Grants	84.318	1,566	-	1,269	-
Adult Education State Grant Programs	84.002	33,471	-	63,219	-
Twenty-First Century Community Learning Centers	84.287	4,622	-	-	-
Improving Teacher Quality State Grants	84.367	134,850	-	99,121	-
Even Start State Educational Agencies	84.213	-	-	4,430	-
English Language Acquisition Grants	84.365	<u>3,671</u>	-	<u>5,423</u>	-
Total U.S. Department of Education		<u>1,044,215</u>	-	<u>1,063,925</u>	-
Total Federal Awards Receipts and Expenditures		<u>\$ 1,507,814</u>	<u>\$ 59,470</u>	<u>\$ 1,527,524</u>	<u>\$ 59,470</u>

The accompanying notes to this schedule are an integral part of this schedule.

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

CFDA – Catalog of Federal Domestic Assistance



Mary Taylor, CPA

Auditor of State

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

Madison Local School District
Lake County
6741 North Ridge Road
Madison, Ohio 44057

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Madison Local School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 9, 2009, wherein we noted the District utilized a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated June 9, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or another matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 9, 2009.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 9, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Madison Local School District
Lake County
6741 North Ridge Road
Madison, Ohio 44057

To the Board of Education:

Compliance

We have audited the compliance of Madison Local School District, Lake County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Madison Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more than inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 9, 2009

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Sec. .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list)</i>	Special Education Cluster - CFDA #84.027 and 84.173
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
JUNE 30, 2008
(CONTINUED)**

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

FINDING NUMBER 2008-001

Noncompliance Finding

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the School District prepared its financial statements and notes following the cash basis of accounting. This is a comprehensive basis other than generally accepted accounting principles. The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

We recommend the School District take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles.

Official's Response:

The School Board voted to prepare cash statements to save the District money.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

MADISON LOCAL SCHOOL DISTRICT
LAKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Failure to report on GAAP	No	Not Corrected. Reissued as 2008-001.



Mary Taylor, CPA
Auditor of State

MADISON LOCAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 30, 2009**