

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2019***



88 East Broad Street
Columbus, Ohio 43215
IPAResport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of Madison Local School District, Richland County, prepared by Julian & Grube, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

February 7, 2020

This page intentionally left blank.

**MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**
TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 15
 Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	17
Statement of Activities	18 - 19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	24
Statement of Net Position - Proprietary Funds.....	25
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Statement of Fiduciary Net Position - Fiduciary Funds	28
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	29
Notes to the Basic Financial Statements.....	31 - 75
 Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	78 - 79
State Teachers Retirement System (STRS) of Ohio	80 - 81
Schedule of the District's Pension Contributions:	
School Employees Retirement System (SERS) of Ohio	82 - 83
State Teachers Retirement System (STRS) of Ohio	84 - 85
Schedule of the District's Proportionate Share of the Net OPEB Liability/Asset:	
School Employees Retirement System (SERS) of Ohio	86
State Teachers Retirement System (STRS) of Ohio	87
Schedule of the District's OPEB Contributions:	
School Employees Retirement System (SERS) of Ohio	88 - 89
State Teachers Retirement System (STRS) of Ohio	90 - 91
Notes to Required Supplementary Information	92 - 93
 Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	94
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	95 - 96
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	97 - 98
Schedule of Findings 2 CFR § 200.515.....	99

This page intentionally left blank.



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Madison Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Richland County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019, on our consideration of the Madison Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Madison Local School District's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 26, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The management's discussion and analysis of Madison Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position increased \$4,020,969. Net position of governmental activities increased \$3,952,651, which represents a 22.93% increase from 2018's net position. Net position of business-type activities increased \$68,318, which represents a 4.16% increase from 2018's net position.
- General revenues accounted for \$33,575,936 in revenue or 78.82% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9,023,956 or 21.18% of total governmental activities revenues of \$42,599,892.
- The District had \$38,622,241 in expenses related to governmental activities; only \$9,023,956 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$33,575,936 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$35,839,184 in revenues and \$34,734,944 in expenditures and other financing uses. The general fund's fund balance increased \$1,104,240 from \$5,126,866 to \$6,231,106.
- The District's other major governmental fund is the bond retirement fund. The bond retirement fund had \$2,245,269 in revenues and \$1,886,354 in expenditures. The bond retirement fund's fund balance increased \$358,915 from \$1,262,493 to \$1,621,408.
- The District's major enterprise funds are the adult education fund and the preschool fund. The adult education fund had \$964,328 in operating revenues, non-operating revenues and transfers, and \$905,899 in operating expenses. The preschool fund had \$562,945 in operating revenues and non-operating revenues, and \$536,038 in operating expenses.

Using the Basic Financial Statements

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during fiscal year 2019?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses, using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The District's statement of net position and statement of activities can be found on pages 17 - 19 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 20 - 24 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements closely resemble information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 25 - 27 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 28 and 29. These activities are excluded from the District's other financial statements because these resources cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31 - 75 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information can be found on pages 78 - 93 of this report.

THIS SPACE IS INTENTIONALLY LEFT BLANK

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2019 and June 30, 2018.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current assets	\$ 28,397,495	\$ 28,372,952	\$ 224,276	\$ 298,469	\$ 28,621,771	\$ 28,671,421
Net OPEB asset	2,139,564	-	79,981	-	2,219,545	-
Capital assets, net	33,753,905	34,731,847	21,243	24,458	33,775,148	34,756,305
Total assets	64,290,964	63,104,799	325,500	322,927	64,616,464	63,427,726
Deferred outflows of resources						
Pension	9,312,482	11,718,417	427,680	562,493	9,740,162	12,280,910
OPEB	385,023	372,932	31,765	32,719	416,788	405,651
Total deferred outflows of resources	9,697,505	12,091,349	459,445	595,212	10,156,950	12,686,561
Liabilities						
Current liabilities	4,572,184	4,288,586	52,464	53,299	4,624,648	4,341,885
Long-term liabilities:						
Due within one year	653,117	697,181	3,764	4,166	656,881	701,347
Net pension liability	35,146,449	37,643,289	1,648,037	1,832,895	36,794,486	39,476,184
Net OPEB liability	2,888,158	7,953,707	272,396	480,622	3,160,554	8,434,329
Other amounts	27,580,618	27,950,057	55,122	53,607	27,635,740	28,003,664
Total liabilities	70,840,526	78,532,820	2,031,783	2,424,589	72,872,309	80,957,409
Deferred inflows of resources						
Property taxes	9,671,405	10,297,764	-	-	9,671,405	10,297,764
Unamortized gain on debt refunding	299,166	311,377	-	-	299,166	311,377
Pension	2,815,350	2,246,093	154,752	82,443	2,970,102	2,328,536
OPEB	3,646,260	1,044,983	173,693	54,708	3,819,953	1,099,691
Total deferred inflows of resources	16,432,181	13,900,217	328,445	137,151	16,760,626	14,037,368
Net Position						
Net investment in capital assets	7,702,338	8,469,229	21,243	24,458	7,723,581	8,493,687
Restricted	2,436,023	1,948,738	-	-	2,436,023	1,948,738
Unrestricted (deficit)	(23,422,599)	(27,654,856)	(1,596,526)	(1,668,059)	(25,019,125)	(29,322,915)
Total net position (deficit)	\$ (13,284,238)	\$ (17,236,889)	\$ (1,575,283)	\$ (1,643,601)	\$ (14,859,521)	\$ (18,880,490)

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

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." The School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

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

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

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

Analysis of Net Position

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,859,521. \$13,284,238 of this total is in the governmental activities and \$1,575,283 is in the business-type activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

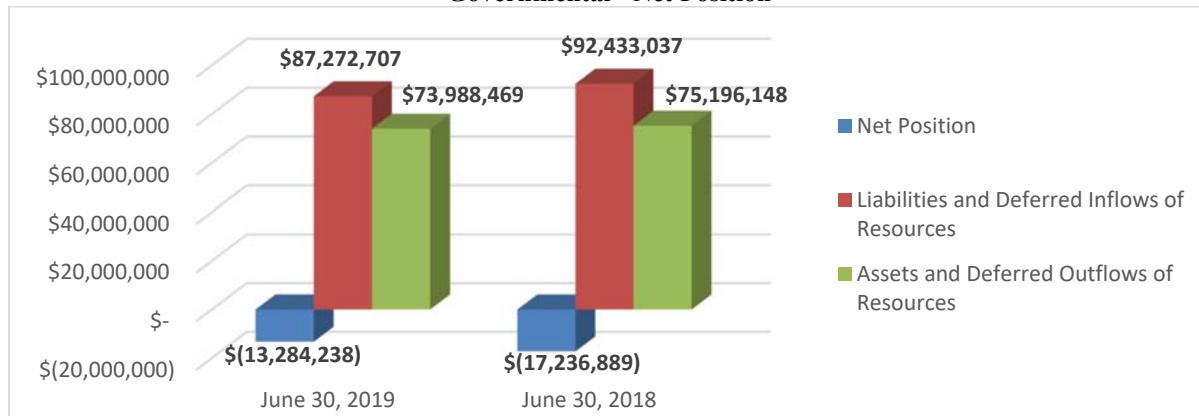
Capital assets reported on the government-wide statements represented 52.50% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets for governmental activities at June 30, 2019 was \$7,702,338. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of the outstanding balances of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Long-term liabilities decreased primarily due to a decrease in the net pension and net OPEB liabilities. This factor is outside of the control of the District. The District contributes its statutorily required contributions to the pension and OPEB systems; however, it's the pension and OPEB systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

A portion of the District's net position, \$2,436,023, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$25,019,125, which is caused by the reporting of the net pension and OPEB liability described above.

The graphs below present the District's governmental and business-type net position at June 30, 2019 and June 30, 2018.

Governmental - Net Position



Business-Type - Net Position



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The table below shows the change in net position for fiscal years 2019 and 2018.

Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,954,256	\$ 1,874,810	\$ 1,243,909	\$ 1,273,993	\$ 3,198,165	\$ 3,148,803
Operating grants and contributions	7,069,700	6,507,927	257,964	273,897	7,327,664	6,781,824
General revenues:						
Property taxes	12,998,187	12,380,648	-	-	12,998,187	12,380,648
Grants and entitlements, not restricted	19,822,023	20,199,827	-	-	19,822,023	20,199,827
Payments in lieu of taxes	268,441	237,304	-	-	268,441	237,304
Investment earnings	167,818	151,985	-	-	167,818	151,985
Change in fair value of investments	198,022	(98,030)	-	-	198,022	(98,030)
Miscellaneous	121,445	268,245	400	-	121,845	268,245
Total revenues	42,599,892	41,522,716	1,502,273	1,547,890	44,102,165	43,070,606
Expenses						
Program expenses:						
Instruction:						
Regular	12,888,326	5,682,609	-	-	12,888,326	5,682,609
Special	5,233,198	2,931,127	-	-	5,233,198	2,931,127
Vocational	2,265,922	1,220,090	-	-	2,265,922	1,220,090
Adult/continuing	84,775	60,465	-	-	84,775	60,465
Other	3,578,213	3,474,610	-	-	3,578,213	3,474,610
Support services:						
Pupil	1,358,968	878,724	-	-	1,358,968	878,724
Instructional staff	1,083,044	752,090	-	-	1,083,044	752,090
Board of education	30,308	36,681	-	-	30,308	36,681
Administration	2,746,858	1,365,446	-	-	2,746,858	1,365,446
Fiscal	703,375	499,462	-	-	703,375	499,462
Business	73,002	70,885	-	-	73,002	70,885
Operations and maintenance	2,842,462	1,992,036	-	-	2,842,462	1,992,036
Pupil transportation	1,445,818	1,028,878	-	-	1,445,818	1,028,878
Central	294,747	121,405	-	-	294,747	121,405
Operation of non-instructional services:						
Food service operations	1,348,122	1,108,186	-	-	1,348,122	1,108,186
Other non-instructional services	582,846	1,111,537	-	-	582,846	1,111,537
Extracurricular activities	579,030	322,948	-	-	579,030	322,948
Interest and fiscal charges	1,483,227	1,527,549	-	-	1,483,227	1,527,549
Adult education	-	-	920,048	480,853	920,048	480,853
Preschool	-	-	538,907	485,075	538,907	485,075
Total expenses	38,622,241	24,184,728	1,458,955	965,928	40,081,196	25,150,656
Transfers	(25,000)	(25,000)	25,000	25,000	-	-
Changes in net position	3,952,651	17,312,988	68,318	606,962	4,020,969	17,919,950
Net position (deficit) at beginning of year	(17,236,889)	(34,549,877)	(1,643,601)	(2,250,563)	(18,880,490)	(36,800,440)
Net position (deficit) at end of year	\$ (13,284,238)	\$ (17,236,889)	\$ (1,575,283)	\$ (1,643,601)	\$ (14,859,521)	\$ (18,880,490)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Expenses of the governmental activities increased \$14,437,513 or 59.70%. This increase is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. The expenses of the governmental activities are comparable to fiscal year 2017 expenses before the STRS and SERS COLA adjustments. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities.

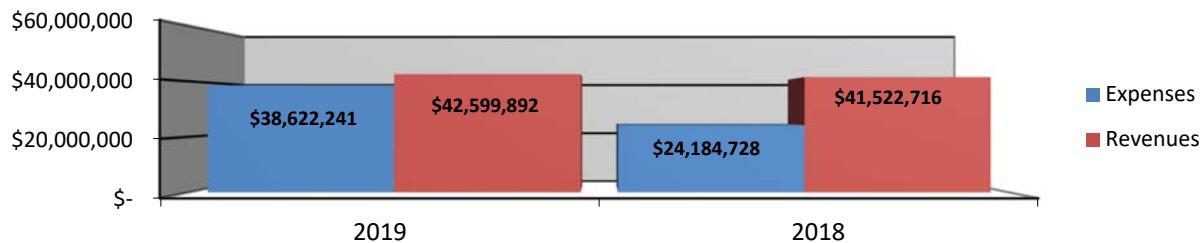
Governmental Activities

The net position of the District's governmental activities increased \$3,952,651. Total governmental expenses of \$38,622,241 were offset by program revenues of \$9,023,956 and general revenues of \$33,575,936. Program revenues supported 23.36% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 77.04% of total governmental revenue. Real estate property is reappraised every six years.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2019 and 2018.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2019 and 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

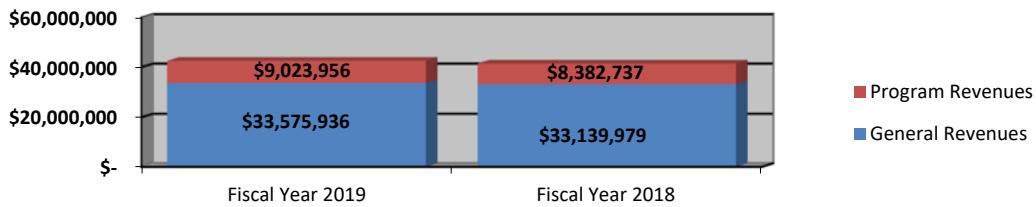
Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program expenses:				
Instruction:				
Regular	\$ 12,888,326	\$ 11,390,740	\$ 5,682,609	\$ 4,337,058
Special	5,233,198	1,143,071	2,931,127	(629,226)
Vocational	2,265,922	1,525,691	1,220,090	544,859
Adult/continuing	84,775	7,076	60,465	(3,780)
Other	3,578,213	3,578,213	3,474,610	3,474,610
Support services:				
Pupil	1,358,968	1,290,486	878,724	770,622
Instructional staff	1,083,044	736,611	752,090	446,744
Board of education	30,308	30,308	36,681	36,681
Administration	2,746,858	2,739,644	1,365,446	1,316,764
Fiscal	703,375	703,375	499,462	499,462
Business	73,002	72,118	70,885	70,141
Operations and maintenance	2,842,462	2,820,641	1,992,036	1,987,717
Pupil transportation	1,445,818	1,349,527	1,028,878	893,056
Central	294,747	232,798	121,405	66,205
Operation of non-instructional services:				
Food service operations	1,348,122	42,640	1,108,186	(280,760)
Other non-instructional services	582,846	33,213	1,111,537	582,265
Extracurricular activities	579,030	418,906	322,948	162,024
Interest and fiscal charges	1,483,227	1,483,227	1,527,549	1,527,549
Total expenses	\$ 38,622,241	\$ 29,598,285	\$ 24,184,728	\$ 15,801,991

The dependence upon tax revenues during fiscal year 2019 for governmental activities is apparent, as 73.37% of instruction activities are supported through taxes and other general revenues. In fiscal year 2019, 76.64% of total governmental activities program expenses were supported by general revenues. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio as a whole, are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2019 and 2018.

Governmental Activities - General and Program Revenues



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Business-Type Activities

Business-type activities include adult education and the preschool. These programs had revenues of \$1,502,273, transfers in of \$25,000 and expenses of \$1,458,955 during fiscal year 2019. The District's business-type activities receive no direct support from taxes. Pension expense was the primary reason for the increase in expenses. Pension expense is reported as a program expense of the program benefitting from the employee's service.

The District's Funds

The District's governmental funds reported a combined fund balance of \$9,676,489, which is higher than last year's total balance of \$8,343,455. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and June 30, 2018.

	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Change
General	\$ 6,231,106	\$ 5,126,866	\$ 1,104,240
Bond retirement	1,621,408	1,262,493	358,915
Nonmajor governmental	<u>1,823,975</u>	<u>1,954,096</u>	<u>(130,121)</u>
Total	<u><u>\$ 9,676,489</u></u>	<u><u>\$ 8,343,455</u></u>	<u><u>\$ 1,333,034</u></u>

General Fund

The District's general fund balance increased \$1,104,240 during fiscal year 2019.

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

	2019 Amount	2018 Amount	Change	Change
<u>Revenues</u>				
Taxes	\$ 10,989,696	\$ 10,830,282	\$ 159,414	1.47 %
Tuition	1,288,609	1,201,360	87,249	7.26 %
Earnings on investments	183,450	125,293	58,157	46.42 %
Change in fair value of investments	198,022	(98,030)	296,052	302.00 %
Other	299,833	350,250	(50,417)	(14.39) %
Payments in lieu of taxes	268,441	237,304	31,137	13.12 %
Intergovernmental	<u>22,611,133</u>	<u>22,260,632</u>	<u>350,501</u>	<u>1.57 %</u>
Total	<u><u>\$ 35,839,184</u></u>	<u><u>\$ 34,907,091</u></u>	<u><u>\$ 932,093</u></u>	<u><u>2.67 %</u></u>
 <u>Expenditures</u>				
Instruction	\$ 23,380,614	\$ 22,635,427	\$ 745,187	3.29 %
Support services	10,445,629	9,760,227	685,402	7.02 %
Extracurricular activities	472,743	485,219	(12,476)	(2.57) %
Facilities acquisition and construction	<u>400,958</u>	<u>252,154</u>	<u>148,804</u>	<u>59.01 %</u>
Total	<u><u>\$ 34,699,944</u></u>	<u><u>\$ 33,133,027</u></u>	<u><u>\$ 1,566,917</u></u>	<u><u>4.73 %</u></u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Revenues of the general fund increased \$932,093 or 2.67%. Intergovernmental revenue increased due to an increase in Foundation funding received from the State of Ohio. The District's Foundation funding increased primarily in the following areas: opportunity grant, targeted assistance, economic disadvantaged funding and special education funding. The increase in fair value of investments is due the required reporting of investments at fair value rather than cost. The fluctuations in the fair value of investments will occur in any given year. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value.

Expenditures of the general fund increased \$1,566,917 or 4.73%. Facilities acquisition and construction increased \$148,804 or 59.01% primarily due to the District expensing more capital related expenditures out of the general fund in the current fiscal year. All other revenues and expenditures in the general fund remained comparable to the prior fiscal year.

Bond Retirement Fund

The District's bond retirement fund balance increased \$358,915 during fiscal year 2019. The bond retirement fund had \$2,245,269 in revenues and \$1,886,354 in expenditures. The bond retirement fund's fund balance increased \$358,915 from \$1,262,493 to \$1,621,408, as property tax and related revenues exceeded annual debt service requirements.

Proprietary Funds

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

General Fund Budgeting Highlights

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

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

For the general fund, final budgeted revenues and other financing sources were \$34,880,692 which was \$519,979 higher than in the original budgeted revenues and other financing sources of \$34,360,713. Actual revenues and other financing sources were \$35,126,630, which were \$245,938 higher than the final budgeted revenues and other financing sources.

General fund original appropriations and other financing uses of \$35,544,340 were decreased by \$1,063,067 in the final budget. The actual budget basis expenditures and other financing uses were the same as final budgeted appropriations and other financing sources of \$34,481,273 for fiscal year 2019.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the District had \$33,775,148 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Of this total, \$33,753,905 was reported in the governmental activities and \$21,243 was reported in the business-type activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The following table shows June 30, 2019 balances compared to June 30, 2018.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 395,721	\$ 395,721	\$ -	\$ -	\$ 395,721	\$ 395,721
Land improvements	251,572	279,491	-	-	251,572	279,491
Building and improvements	31,130,311	32,114,810	-	-	31,130,311	32,114,810
Furniture and equipment	1,262,947	1,323,761	21,243	24,458	1,284,190	1,348,219
Vehicles	713,354	618,064	-	-	713,354	618,064
Total	<u>\$ 33,753,905</u>	<u>\$ 34,731,847</u>	<u>\$ 21,243</u>	<u>\$ 24,458</u>	<u>\$ 33,775,148</u>	<u>\$ 34,756,305</u>

The decrease in capital assets, net of depreciation, in the governmental activities of \$977,942 is attributable to current year depreciation of \$1,263,843 exceeding current year additions of \$285,901 during 2019.

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

Debt Administration

At June 30, 2019, the District had \$25,719,450 in general obligation bonds, capital appreciation bonds and accreted interest on capital appreciation bonds outstanding. There were no long-term debt obligations reported among the business-type activities. Of the District's total long-term debt obligations, \$538,345 is due within one year.

The following table summarizes the bonds and accreted interest obligations outstanding at June 30, 2019 and June 30, 2018.

Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
<i>General obligation bonds:</i>				
General obligation bonds	\$ 24,480,000	\$ 24,505,000	\$ -	\$ -
Capital appreciation bonds	180,234	271,447	-	-
Accreted interest	<u>1,059,216</u>	<u>1,216,406</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 25,719,450</u>	<u>\$ 25,992,853</u>	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2019, the District's overall legal debt margin was \$6,479,694 and its unvoted debt margin was \$327,984.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Current Financial Related Activities

The District ended fiscal year 2019 with an unencumbered budgetary-basis balance of \$7,030,146 in the general fund. The District has been able to reduce staff and expenditures over the past several fiscal years to avoid a deficit situation. During the year, the District's total budgetary-basis revenues exceeded budgetary-basis expenditures by \$645,363. A 6.9 mil operating levy that was renewed in 2012 was again put to the voters for renewal in 2017, and it was passed. The collections on that levy will be received through December of 2022. Based on the assumptions at this time, the District projects an unencumbered budgetary-basis balance of \$6,974,603 for fiscal year 2020 and \$6,136,873 for fiscal year 2021.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mrs. Robin Klenk, Treasurer of Madison Local School District, at 1379 Grace Street, Mansfield, Ohio, 44905-2742.

**BASIC
FINANCIAL STATEMENTS**

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

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and Investments.	\$ 15,032,516	\$ 249,460	\$ 15,281,976
Receivables:			
Property taxes	12,849,880	-	12,849,880
Accounts.	10,396	546	10,942
Accrued interest	48,846	-	48,846
Intergovernmental	346,630	-	346,630
Prepayments	61,733	-	61,733
Materials and supplies inventory.	6,840	-	6,840
Inventory held for resale.	14,924	-	14,924
Internal balance	25,730	(25,730)	-
Net OPEB asset	2,139,564	79,981	2,219,545
Capital assets:			
Nondepreciable capital assets	395,721	-	395,721
Depreciable capital assets, net.	33,358,184	21,243	33,379,427
Capital assets, net	<u>33,753,905</u>	<u>21,243</u>	<u>33,775,148</u>
Total assets.	<u>64,290,964</u>	<u>325,500</u>	<u>64,616,464</u>
Deferred outflows of resources:			
Pension	9,312,482	427,680	9,740,162
OPEB	<u>385,023</u>	<u>31,765</u>	<u>416,788</u>
Total deferred outflows of resources	<u>9,697,505</u>	<u>459,445</u>	<u>10,156,950</u>
Liabilities:			
Accounts payable.	-	8	8
Accrued wages and benefits payable	3,019,727	30,896	3,050,623
Intergovernmental payable	45,419	497	45,916
Pension and post employment benefits payable. .	440,196	20,139	460,335
Accrued interest payable	105,526	-	105,526
Claims payable.	961,316	-	961,316
Due to students	-	924	924
Long-term liabilities:			
Due within one year.	653,117	3,764	656,881
Due in more than one year:			
Net pension liability	35,146,449	1,648,037	36,794,486
Net OPEB liability	2,888,158	272,396	3,160,554
Other amounts due in more than one year .	27,580,618	55,122	27,635,740
Total liabilities	<u>70,840,526</u>	<u>2,031,783</u>	<u>72,872,309</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year. . .	9,671,405	-	9,671,405
Unamortized gain on debt refunding	299,166	-	299,166
Pension	2,815,350	154,752	2,970,102
OPEB	<u>3,646,260</u>	<u>173,693</u>	<u>3,819,953</u>
Total deferred inflows of resources	<u>16,432,181</u>	<u>328,445</u>	<u>16,760,626</u>
Net position:			
Net investment in capital assets	7,702,338	21,243	7,723,581
Restricted for:			
Capital projects	436,632	-	436,632
Classroom facilities maintenance	1,320,582	-	1,320,582
Debt service.	559,218	-	559,218
Locally funded programs	8,796	-	8,796
State funded programs.	11,608	-	11,608
Federally funded programs	3,331	-	3,331
Student activities	82,399	-	82,399
Other purposes	13,457	-	13,457
Unrestricted (deficit)	<u>(23,422,599)</u>	<u>(1,596,526)</u>	<u>(25,019,125)</u>
Total net position (deficit).	<u>\$ (13,284,238)</u>	<u>\$ (1,575,283)</u>	<u>\$ (14,859,521)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Expenses	Program Revenues		Operating Grants and Contributions
		Charges for Services and Sales		
Governmental activities:				
Instruction:				
Regular	\$ 12,888,326	\$ 1,297,242	\$ 200,344	
Special	5,233,198	121,276	3,968,851	
Vocational	2,265,922	53,651	686,580	
Adult/continuing.	84,775	-	77,699	
Other	3,578,213	-	-	
Support services:				
Pupil.	1,358,968	-	68,482	
Instructional staff	1,083,044	748	345,685	
Board of education	30,308	-	-	
Administration.	2,746,858	-	7,214	
Fiscal.	703,375	-	-	
Business.	73,002	761	123	
Operations and maintenance	2,842,462	3,540	18,281	
Pupil transportation.	1,445,818	6,435	89,856	
Central	294,747	-	61,949	
Operation of non-instructional services:				
Food service operations	1,348,122	334,892	970,590	
Other non-instructional services	582,846	-	549,633	
Extracurricular activities.	579,030	135,711	24,413	
Interest and fiscal charges	1,483,227	-	-	
Total governmental activities	<u>38,622,241</u>	<u>1,954,256</u>	<u>7,069,700</u>	
Business-type activities:				
Adult education	920,048	728,024	210,904	
Preschool	538,907	515,885	47,060	
Total business-type activities	<u>1,458,955</u>	<u>1,243,909</u>	<u>257,964</u>	
Totals	<u>\$ 40,081,196</u>	<u>\$ 3,198,165</u>	<u>\$ 7,327,664</u>	

General revenues:

Property taxes levied for:	
General purposes	
Debt service.	
Special revenue.	
Payments in lieu of taxes.	
Grants and entitlements not restricted	
to specific programs	
Investment earnings	
Change in fair value of investments	
Miscellaneous	
Total general revenues	
Transfers	
Total general revenues and transfers	
Change in net position	
Net position (deficit) at beginning of year.	
Net position (deficit) at end of year.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	
\$ (11,390,740)	\$ -	\$ (11,390,740)	
(1,143,071)	-	(1,143,071)	
(1,525,691)	-	(1,525,691)	
(7,076)	-	(7,076)	
(3,578,213)	-	(3,578,213)	
(1,290,486)	-	(1,290,486)	
(736,611)	-	(736,611)	
(30,308)	-	(30,308)	
(2,739,644)	-	(2,739,644)	
(703,375)	-	(703,375)	
(72,118)	-	(72,118)	
(2,820,641)	-	(2,820,641)	
(1,349,527)	-	(1,349,527)	
(232,798)	-	(232,798)	
(42,640)	-	(42,640)	
(33,213)	-	(33,213)	
(418,906)	-	(418,906)	
(1,483,227)	-	(1,483,227)	
<u>(29,598,285)</u>	<u>-</u>	<u>(29,598,285)</u>	
	18,880	18,880	
<u>-</u>	<u>24,038</u>	<u>24,038</u>	
	42,918	42,918	
<u>(29,598,285)</u>	<u>42,918</u>	<u>(29,555,367)</u>	
11,170,701	-	11,170,701	
1,679,311	-	1,679,311	
148,175	-	148,175	
268,441	-	268,441	
19,822,023	-	19,822,023	
167,818	-	167,818	
198,022	-	198,022	
121,445	400	121,845	
<u>33,575,936</u>	<u>400</u>	<u>33,576,336</u>	
<u>(25,000)</u>	<u>25,000</u>	<u>-</u>	
33,550,936	25,400	33,576,336	
3,952,651	68,318	4,020,969	
<u>(17,236,889)</u>	<u>(1,643,601)</u>	<u>(18,880,490)</u>	
<u>\$ (13,284,238)</u>	<u>\$ (1,575,283)</u>	<u>\$ (14,859,521)</u>	

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments.	\$ 7,165,666	\$ 1,317,000	\$ 2,140,911	\$ 10,623,577
Receivables:				
Property taxes.	11,059,854	1,645,252	144,774	12,849,880
Accounts	379	-	10,017	10,396
Accrued interest	48,846	-	-	48,846
Interfund loans	3,284	-	-	3,284
Intergovernmental.	186,029	-	160,601	346,630
Prepayments.	61,733	-	-	61,733
Materials and supplies inventory.	-	-	6,840	6,840
Inventory held for resale.	-	-	14,924	14,924
Total assets	<u>\$ 18,525,791</u>	<u>\$ 2,962,252</u>	<u>\$ 2,478,067</u>	<u>\$ 23,966,110</u>
Liabilities:				
Accrued wages and benefits payable	\$ 2,705,639	\$ -	\$ 314,088	\$ 3,019,727
Compensated absences payable	42,973	-	7,493	50,466
Intergovernmental payable	42,709	-	2,710	45,419
Pension and postemployment benefits payable . .	398,591	-	41,605	440,196
Total liabilities.	<u>3,189,912</u>	<u>-</u>	<u>365,896</u>	<u>3,555,808</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year. . . .	8,324,149	1,238,292	108,964	9,671,405
Delinquent property tax revenue not available. . . .	689,385	102,552	9,024	800,961
Intergovernmental revenue not available.	69,807	-	160,191	229,998
Accrued interest not available.	21,432	-	-	21,432
Miscellaneous revenue not available.	-	-	10,017	10,017
Total deferred inflows of resources	<u>9,104,773</u>	<u>1,340,844</u>	<u>288,196</u>	<u>10,733,813</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	6,840	6,840
Prepays.	61,733	-	-	61,733
Restricted:				
Debt service.	-	1,621,408	-	1,621,408
Capital improvements	-	-	436,632	436,632
Classroom facilities maintenance	-	-	1,311,558	1,311,558
Food service operations	-	-	2,761	2,761
Non-public schools	-	-	11,029	11,029
Public school preschool	-	-	1,427	1,427
Other purposes.	-	-	31,261	31,261
Extracurricular activities.	-	-	82,399	82,399
Committed:				
Capital improvements	-	-	125,314	125,314
Assigned:				
Student and staff support.	68,956	-	-	68,956
Subsequent year's appropriations	862,345	-	-	862,345
School supplies	22,355	-	-	22,355
Other purposes.	14,913	-	-	14,913
Unassigned (deficit)	<u>5,200,804</u>	<u>-</u>	<u>(185,246)</u>	<u>5,015,558</u>
Total fund balances	<u>6,231,106</u>	<u>1,621,408</u>	<u>1,823,975</u>	<u>9,676,489</u>
Total liabilities, deferred inflows and fund balances .	<u>\$ 18,525,791</u>	<u>\$ 2,962,252</u>	<u>\$ 2,478,067</u>	<u>\$ 23,966,110</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Total governmental fund balances	\$ 9,676,489
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	33,753,905
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.	
Property taxes receivable	\$ 800,961
Accounts receivable	10,017
Accrued interest receivable	21,432
Intergovernmental receivable	<u>229,998</u>
Total	1,062,408
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund (including internal balance of \$22,446) are included in governmental activities on the statement of net position.	3,470,069
Unamortized premiums on bonds issued are not recognized in the funds.	(1,092,167)
Unamortized amounts on refundings are not recognized in the funds.	(299,166)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(105,526)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred outflows of resources - pension	9,312,482
Deferred inflows of resources - pension	(2,815,350)
Net pension liability	<u>(35,146,449)</u>
Total	(28,649,317)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:	
Deferred outflows of resources - OPEB	385,023
Deferred inflows of resources - OPEB	(3,646,260)
Net OPEB asset	2,139,564
Net OPEB liability	<u>(2,888,158)</u>
Total	(4,009,831)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation bonds	(25,719,450)
Compensated absences	<u>(1,371,652)</u>
Total	<u>(27,091,102)</u>
Net position (deficit) of governmental activities	<u>\$ (13,284,238)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 10,989,696	\$ 1,646,435	\$ 145,374	\$ 12,781,505
Payment in lieu of taxes	268,441	-	-	268,441
Tuition	1,288,609	-	-	1,288,609
Transportation fees	6,435	-	-	6,435
Earnings on investments	183,450	-	6,299	189,749
Increase in fair value of investments	198,022	-	-	198,022
Charges for services	-	-	334,892	334,892
Extracurricular	127	-	138,868	138,995
Classroom materials and fees	118,637	-	-	118,637
Rental income	3,377	-	-	3,377
Contributions and donations	-	-	23,707	23,707
Contract services	58,305	-	-	58,305
Other local revenues	112,952	-	26,641	139,593
Intergovernmental - state	22,310,848	246,375	641,794	23,199,017
Intergovernmental - federal	300,285	352,459	3,116,664	3,769,408
Total revenues	35,839,184	2,245,269	4,434,239	42,518,692
Expenditures:				
Current:				
Instruction:				
Regular	13,432,108	-	199,909	13,632,017
Special	4,016,537	-	1,367,329	5,383,866
Vocational	2,379,186	-	23,810	2,402,996
Adult/continuing	-	-	79,228	79,228
Other	3,552,783	-	-	3,552,783
Support services:				
Pupil	1,320,304	-	68,012	1,388,316
Instructional staff	774,167	-	339,944	1,114,111
Board of education	32,679	-	-	32,679
Administration	3,029,882	-	7,356	3,037,238
Fiscal	696,502	34,855	3,079	734,436
Business	71,588	-	884	72,472
Operations and maintenance	2,759,586	-	153,659	2,913,245
Pupil transportation	1,515,625	-	33,606	1,549,231
Central	245,296	-	63,168	308,464
Operation of non-instructional services:				
Food service operations	-	-	1,340,163	1,340,163
Other non-instructional services	-	-	621,524	621,524
Extracurricular activities	472,743	-	158,111	630,854
Facilities acquisition and construction	400,958	-	111,766	512,724
Debt service:				
Principal retirement	-	116,213	-	116,213
Interest and fiscal charges	-	1,266,499	-	1,266,499
Accretion on capital appreciation bonds	-	468,787	-	468,787
Total expenditures	34,699,944	1,886,354	4,571,548	41,157,846
Excess of revenues over (under) expenditures . . .	1,139,240	358,915	(137,309)	1,360,846
Other financing sources (uses):				
Transfers in	-	-	10,000	10,000
Transfers (out)	(35,000)	-	-	(35,000)
Total other financing sources (uses)	(35,000)	-	10,000	(25,000)
Net change in fund balances	1,104,240	358,915	(127,309)	1,335,846
Fund balances at beginning of year	5,126,866	1,262,493	1,954,096	8,343,455
(Decrease) in reserve for inventory	-	-	(2,812)	(2,812)
Fund balances at end of year	\$ 6,231,106	\$ 1,621,408	\$ 1,823,975	\$ 9,676,489

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Net change in fund balances - total governmental funds	\$ 1,335,846
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.	
Capital asset additions	\$ 285,901
Current year depreciation	<u>(1,263,843)</u>
Total	(977,942)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.	
	(2,812)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	216,682
Earnings on investments	(21,834)
Other revenue	10,017
Intergovernmental	<u>(53,858)</u>
Total	151,007
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.	
Current interest bonds	25,000
Capital appreciation bonds	91,213
Accreted interest on capital appreciation bonds	<u>468,787</u>
Total	585,000
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refundings are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when due.	
Decrease in accrued interest payable	31
Accreted interest on capital appreciation bonds	(311,597)
Amortization of bond premiums	82,627
Amortization of deferred gains	<u>12,211</u>
Total	(216,728)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	
	2,546,149
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	
	(3,024,501)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	
	79,856
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as pension expense in the statement of activities.	
	4,536,071
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	84,522
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund (including internal balance activity of \$17,018) is allocated among the governmental activities.	
	<u>(1,143,817)</u>
Change in net position of governmental activities	<u>\$ 3,952,651</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Property taxes	\$ 10,331,771	\$ 10,488,755	\$ 10,427,598	\$ (61,157)
Payment in lieu of taxes.	268,441	268,441	268,441	-
Tuition.	1,162,395	1,182,380	1,327,480	145,100
Transportation fees.	16,435	16,530	6,329	(10,201)
Earnings on investments	119,180	121,653	164,260	42,607
Classroom materials and fees	4,711	4,837	8,358	3,521
Rental income	5,479	5,528	3,227	(2,301)
Contributions and donations	1,000	1,000	-	(1,000)
Contract services.	19,400	19,678	18,484	(1,194)
Other local revenues	10,917	11,124	13,722	2,598
Intergovernmental - state	22,170,484	22,509,473	22,517,266	7,793
Intergovernmental - federal	20,000	20,793	52,677	31,884
Total revenues	<u>34,130,213</u>	<u>34,650,192</u>	<u>34,807,842</u>	<u>157,650</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,495,361	13,252,050	13,252,050	-
Special.	3,996,215	4,005,742	4,005,742	-
Vocational.	2,365,214	2,315,819	2,315,819	-
Other.	3,672,487	3,548,550	3,548,550	-
Support services:				
Pupil.	1,231,508	1,329,404	1,329,404	-
Instructional staff	759,293	775,937	775,937	-
Board of education	53,867	32,758	32,758	-
Administration.	3,167,307	2,984,172	2,984,172	-
Fiscal	720,201	695,132	695,132	-
Business	75,235	71,588	71,588	-
Operations and maintenance.	2,792,497	2,751,130	2,751,130	-
Pupil transportation	1,761,083	1,560,865	1,560,865	-
Central.	452,820	241,750	241,750	-
Extracurricular activities.	452,589	477,134	477,134	-
Facilities acquisition and construction	513,663	400,958	400,958	-
Total expenditures	<u>35,509,340</u>	<u>34,442,989</u>	<u>34,442,989</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(1,379,127)</u>	<u>207,203</u>	<u>364,853</u>	<u>157,650</u>
Other financing sources (uses):				
Refund of prior year's expenditures	220,500	220,500	278,406	57,906
Transfers in	-	-	15,031	15,031
Transfers (out).	(35,000)	(35,000)	(35,000)	-
Advances (out)	-	(3,284)	(3,284)	-
Sale of assets	10,000	10,000	25,351	15,351
Total other financing sources (uses)	<u>195,500</u>	<u>192,216</u>	<u>280,504</u>	<u>88,288</u>
Net change in fund balance	<u>(1,183,627)</u>	<u>399,419</u>	<u>645,357</u>	<u>245,938</u>
Unencumbered fund balance at beginning of year.	6,384,788	6,384,788	6,384,788	-
Unencumbered fund balance at end of year.	\$ 5,201,161	\$ 6,784,207	\$ 7,030,145	\$ 245,938

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

	Adult Education	Preschool	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Assets:				
Equity in pooled cash and investments	\$ -	\$ 249,460	\$ 249,460	\$ 4,408,939
Receivables:				
Accounts	- - -	546	546	-
Total current assets	<u>- - -</u>	<u>250,006</u>	<u>250,006</u>	<u>4,408,939</u>
Noncurrent assets:				
Net OPEB asset.	71,705	8,276	79,981	-
Depreciable capital assets, net	21,243	- - -	21,243	-
Total noncurrent assets	<u>92,948</u>	<u>8,276</u>	<u>101,224</u>	-
Total assets.	<u>92,948</u>	<u>258,282</u>	<u>351,230</u>	<u>4,408,939</u>
Deferred outflows of resources:				
Pension	311,249	116,431	427,680	-
OPEB	15,739	16,026	31,765	-
Total deferred outflows of resources	<u>326,988</u>	<u>132,457</u>	<u>459,445</u>	-
Liabilities:				
Accounts payable.	- - -	8	8	-
Accrued wages and benefits	18,729	12,167	30,896	-
Compensated absences.	2,725	1,039	3,764	-
Pension and postemployment benefits payable.	13,357	6,782	20,139	-
Interfund loan payable	3,284	- - -	3,284	-
Intergovernmental payable	321	176	497	-
Unearned revenue	- - -	924	924	-
Claims payable	- - -	- - -	- - -	961,316
Total current liabilities	<u>38,416</u>	<u>21,096</u>	<u>59,512</u>	<u>961,316</u>
Long-term liabilities:				
Compensated absences payable.	55,122	- - -	55,122	-
Net pension liability	1,118,577	529,460	1,648,037	-
Net OPEB liability	67,611	204,785	272,396	-
Total long-term liabilities	<u>1,241,310</u>	<u>734,245</u>	<u>1,975,555</u>	-
Total liabilities	<u>1,279,726</u>	<u>755,341</u>	<u>2,035,067</u>	<u>961,316</u>
Deferred inflows of resources:				
Pension	112,885	41,867	154,752	-
OPEB	124,433	49,260	173,693	-
Total deferred inflows of resources	<u>237,318</u>	<u>91,127</u>	<u>328,445</u>	-
Net position:				
Net investment in capital assets	21,243	- - -	21,243	-
Unrestricted (deficit).	(1,118,351)	(455,729)	(1,574,080)	3,447,623
Total net position (deficit).	<u><u>\$ (1,097,108)</u></u>	<u><u>\$ (455,729)</u></u>	<u><u>(1,552,837)</u></u>	<u><u>\$ 3,447,623</u></u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.			(22,446)	
Net position (deficit) of business-type activities.			<u><u>\$ (1,575,283)</u></u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Adult Education	Preschool	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:				
Tuition and fees.	\$ 684,126	\$ 515,885	\$ 1,200,011	\$ -
Sales/charges for services.	43,898	-	43,898	6,162,966
Total operating revenues	<u>728,024</u>	<u>515,885</u>	<u>1,243,909</u>	<u>6,162,966</u>
Operating expenses:				
Personal services.	661,581	382,818	1,044,399	-
Purchased services.	123,338	100,678	224,016	903,420
Materials and supplies.	114,212	46,284	160,496	-
Other.	3,553	6,258	9,811	7,885
Claims.	-	-	-	6,412,496
Depreciation.	3,215	-	3,215	-
Total operating expenses.	<u>905,899</u>	<u>536,038</u>	<u>1,441,937</u>	<u>7,323,801</u>
Operating (loss).	<u>(177,875)</u>	<u>(20,153)</u>	<u>(198,028)</u>	<u>(1,160,835)</u>
Nonoperating revenues:				
Grants and subsidies.	210,904	47,060	257,964	-
Miscellaneous.	400	-	400	-
Total nonoperating revenues	<u>211,304</u>	<u>47,060</u>	<u>258,364</u>	<u>-</u>
Income (loss) before transfers.	33,429	26,907	60,336	(1,160,835)
Transfer in.	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Change in net position	58,429	26,907	85,336	(1,160,835)
Net position (deficit) at beginning of year. .	<u>(1,155,537)</u>	<u>(482,636)</u>		<u>4,608,458</u>
Net position (deficit) at end of year . . .	<u>\$ (1,097,108)</u>	<u>\$ (455,729)</u>		<u>\$ 3,447,623</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.			(17,018)	
Changes in net position of business-type activities.			<u>\$ 68,318</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MADISON LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Adult Education	Preschool	Total Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:				
Cash received from tuition and fees	\$ 684,126	\$ 516,664	\$ 1,200,790	\$ -
Cash received from sales/charges for services.	43,898	-	43,898	6,162,966
Cash payments for personal services.	(796,779)	(390,423)	(1,187,202)	-
Cash payments for contractual services	(123,338)	(100,678)	(224,016)	(903,420)
Cash payments for materials and supplies	(114,168)	(46,284)	(160,452)	-
Cash payments for claims	-	-	-	(6,073,395)
Cash payments for other expenses	<u>(3,553)</u>	<u>(6,258)</u>	<u>(9,811)</u>	<u>(7,885)</u>
Net cash (used in) operating activities	<u>(309,814)</u>	<u>(26,979)</u>	<u>(336,793)</u>	<u>(821,734)</u>
Cash flows from noncapital financing activities:				
Cash received from grants and subsidies.	210,904	57,400	268,304	-
Cash received from transfers in	25,000	-	25,000	-
Cash received from miscellaneous receipts	400	-	400	-
Cash received from interfund loans	<u>3,284</u>	<u>-</u>	<u>3,284</u>	<u>-</u>
Net cash provided by noncapital financing activities.	<u>239,588</u>	<u>57,400</u>	<u>296,988</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(70,226)</u>	<u>30,421</u>	<u>(39,805)</u>	<u>(821,734)</u>
Cash and cash equivalents at beginning of year	70,226	219,039	289,265	5,230,673
Cash and cash equivalents at end of year	\$ -	\$ 249,460	\$ 249,460	\$ 4,408,939
Reconciliation of operating (loss) to net cash (used in) operating activities:				
Operating (loss)	\$ (177,875)	\$ (20,153)	\$ (198,028)	\$ (1,160,835)
Adjustments:				
Depreciation.	3,215	-	3,215	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Decrease in accounts receivable.	44	1,170	1,214	-
Decrease in prepayments	1,755	777	2,532	-
(Increase) in net OPEB asset.	(71,705)	(8,276)	(79,981)	-
Decrease in deferred outflows - pension	95,313	39,500	134,813	-
Decrease (increase) in deferred outflows - OPEB . .	1,704	(750)	954	-
(Decrease) in accounts payable	-	(169)	(169)	-
Increase (decrease) in accrued wages and benefits . .	1,222	(1,149)	73	-
Increase (decrease) in intergovernmental payable. . .	68	(17)	51	-
Increase (decrease) in compensated absences payable.	1,688	(575)	1,113	-
Increase (decrease) in pension and postemployment benefits payable	1,918	(2,486)	(568)	-
(Decrease) in unearned revenue	-	(222)	(222)	-
Increase in claims payable	-	-	-	339,101
(Decrease) in net pension liability	(125,249)	(59,609)	(184,858)	-
(Decrease) in net OPEB liability	(178,727)	(29,499)	(208,226)	-
Increase in deferred inflows - pension	43,178	29,131	72,309	-
Increase in deferred inflows - OPEB.	<u>93,637</u>	<u>25,348</u>	<u>118,985</u>	<u>-</u>
Net cash (used in) operating activities.	<u>\$ (309,814)</u>	<u>\$ (26,979)</u>	<u>\$ (336,793)</u>	<u>\$ (821,734)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 84,599	\$ 33,987
Total assets.	<u>84,599</u>	<u>33,987</u>
Liabilities:		
Due to students.	\$ -	\$ 33,987
Total liabilities	<u>-</u>	<u>33,987</u>
Net position:		
Held in trust for scholarships	<u>84,599</u>	
Total net position.	<u>\$ 84,599</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 1
Gifts and contributions.	97,846
Total additions.	<u>97,847</u>
Deductions:	
Scholarships awarded	<u>36,349</u>
Change in net position	61,498
Net position at beginning of year.	<u>23,101</u>
Net position at end of year	<u>\$ 84,599</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Madison Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by statute and further mandated by State and/or federal agencies. This Board controls the District's 5 instructional/support facilities staffed by 139 classified and 254 certified full-time teaching personnel, who provide services to 2,926 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Richland, Marion, Morrow, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2019, the District paid \$225,557 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

INSURANCE PURCHASING POOL

Workers’ Compensation Group Retrospective Rating Program (GRP)

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

Schools of Ohio Risk Sharing Authority

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

B. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

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

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

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

PROPRIETARY FUNDS

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

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

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

Preschool fund - This fund accounts for preschool activities funded by tuition receipts.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust funds are private-purpose trusts which account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student managed activities and Pell grants for adult education instruction tuition payments.

C. Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 13 and 14 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds except agency funds. The specific timetable for fiscal year 2019 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for each fund. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2019.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Although the legal level of control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2019.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

F. Cash and Investments

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

During fiscal year 2019, investments were limited to Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, negotiable certificates of deposits (negotiable CDs), and U.S. government money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$183,450, which includes \$97,287 assigned from other District funds.

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

G. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. Fund balance has been presented as nonspendable equal to the balance of the prepaid item at fiscal year-end.

H. Inventory

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

I. Capital Assets

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

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land improvements	20 years	N/A
Buildings and improvements	20 - 40 years	N/A
Furniture and equipment	5 - 20 years	8 - 15 years
Vehicles	6 - 8 years	N/A

J. Compensated Absences

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

M. Net Position

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

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

N. Parochial Schools

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

O. Estimates

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

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

Q. Pensions/Other Postemployment Benefits (OPEB)

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

S. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

T. Interfund Activity

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the District has implemented GASB Statement No. 83, “Certain Asset Retirement Obligations” and GASB Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”.

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA, Part B	\$ 108,477
Vocational education	4,633
Title I	62,566
Improving teacher quality	9,570

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time 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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

A. Cash on Hand

At fiscal year end, the District had \$1,050 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

B. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits was \$5,564,289 and the bank balance of all District deposits was \$6,048,852. Of the bank balance, \$678,210 was covered by the FDIC and \$5,370,642 was covered by the Ohio Pooled Collateral System (OPCS).

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2019, the District had the following investments and maturities:

Measurement / Investment Type	Measurement Value	Investment Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
FFCB	\$ 796,852	\$ -	\$ -	\$ 248,837	\$ 548,015	\$ -
FHLMC	398,279	-	398,279	-	-	-
FNMA	2,837,741	1,247,374	198,743	297,929	795,729	297,966
Negotiable CDs	5,338,492	101,136	284,803	755,581	301,178	3,895,794
U.S. Government Money Market Mutual Funds	463,859	463,859	-	-	-	-
Total	<u>\$ 9,835,223</u>	<u>\$ 1,812,369</u>	<u>\$ 881,825</u>	<u>\$ 1,302,347</u>	<u>\$ 1,644,922</u>	<u>\$ 4,193,760</u>

The weighted average maturity of investments is 1.82 years.

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2019:

<u>Measurement/ Investment Type</u>	<u>Measurement Value</u>	<u>% of total</u>
<i>Fair Value:</i>		
FFCB	\$ 796,852	8.10
FHLMC	398,279	4.05
FNMA	2,837,741	28.85
Negotiable CDs	5,338,492	54.28
U.S. Government Money		
Market Mutual Funds	<u>463,859</u>	<u>4.72</u>
Total	<u>\$ 9,835,223</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,564,289
Investments	9,835,223
Cash on hand	<u>1,050</u>
Total	<u>\$ 15,400,562</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 15,032,516
Business-type activities	249,460
Private-purpose trust funds	84,599
Agency funds	<u>33,987</u>
Total	<u>\$ 15,400,562</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2019, consisted of the following, as reported on the fund statements:

<u>Transfer From</u>	<u>Transfer To</u>	
General Fund	Nonmajor governmental fund:	
	Permanent improvement capital projects	\$ 10,000
	Adult education fund	<u>25,000</u>
Total		<u>\$ 35,000</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

- B.** Interfund loans payable/receivable consisted of the following at June 30, 2019, as reported on the fund financial statements:

<u>Interfund loan receivable</u>	<u>Interfund loan payable</u>	
General Fund	Adult education fund	\$ <u>3,284</u>

Interfund loan balances resulted from resources provided by the receivable fund to the payable fund to provide cash flow resources until anticipated revenues are received. Other funds between governmental funds are eliminated for reporting on the statement of net position. Interfund loans payable/receivable between governmental funds and enterprise funds are reported as a component of internal balance on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Richland County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$2,046,320 in the general fund, \$304,408 in the bond retirement fund and \$26,786 in the classroom facilities maintenance fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2018 was \$1,484,222 in the general fund, \$203,418 in the bond retirement fund and \$18,167 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 310,429,480	94.13	\$ 306,234,810	93.37
Public utility personal	<u>19,347,440</u>	<u>5.87</u>	<u>21,748,740</u>	<u>6.63</u>
Total	<u><u>\$ 329,776,920</u></u>	<u><u>100.00</u></u>	<u><u>\$ 327,983,550</u></u>	<u><u>100.00</u></u>
Tax rate per \$1,000 of assessed valuation		\$66.40		\$66.40

NOTE 7 - PAYMENT IN LIEU OF TAXES

The District is party to tax incremental financing agreements with local companies. These companies were granted reductions or exemptions from property tax obligations to encourage economic development in the area; however, as part of these agreements, the companies make payments in lieu of taxes to the District to compensate the District for its portion of the reduction in property tax receipts. On the governmental fund financial statements, payment in lieu of taxes revenues totaled \$268,441 in the general fund during fiscal year 2019.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8 - RECEIVABLES

Receivables at June 30, 2019 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:

Property taxes	\$ 12,849,880
Accounts	10,396
Accrued interest	48,846
Intergovernmental	<u>346,630</u>
Total receivables	<u>\$ 13,255,752</u>

Business-type activities:

Accounts	\$ <u>546</u>
----------	---------------

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

NOTE 9 - CAPITAL ASSETS

A. Governmental capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance 6/30/18	Additions	Deductions	Balance 6/30/19
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 395,721	\$ _____ -	\$ _____ -	\$ 395,721
Total capital assets, not being depreciated	<u>395,721</u>	<u>_____ -</u>	<u>_____ -</u>	<u>395,721</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,051,992	-	-	1,051,992
Buildings/improvements	46,320,740	-	-	46,320,740
Furniture/equipment	3,713,535	77,565	-	3,791,100
Vehicles	2,223,040	208,336	(130,070)	2,301,306
Total capital assets, being depreciated	<u>53,309,307</u>	<u>285,901</u>	<u>(130,070)</u>	<u>53,465,138</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(772,501)	(27,919)	-	(800,420)
Buildings/improvements	(14,205,930)	(984,499)	-	(15,190,429)
Furniture/equipment	(2,389,774)	(138,379)	-	(2,528,153)
Vehicles	(1,604,976)	(113,046)	130,070	(1,587,952)
Total accumulated depreciation	<u>(18,973,181)</u>	<u>(1,263,843)</u>	<u>130,070</u>	<u>(20,106,954)</u>
Governmental activities capital assets, net	<u>\$ 34,731,847</u>	<u>\$ (977,942)</u>	<u>\$ _____ -</u>	<u>\$ 33,753,905</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 582,108
Special	171,488
Vocational	163,814
Adult/continuing	4,491

Support services:

Pupil	19,141
Instructional staff	20,983
Administration	42,752
Operations and maintenance	68,044
Pupil transportation	107,373
Non-instructional services	12,936
Food service operations	40,249
Extracurricular activities	<u>30,464</u>
Total depreciation expense	<u>\$ 1,263,843</u>

- B. Business-type capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance 06/30/18	Additions	Deductions	Balance 06/30/19
Business-type activities:				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 89,692	\$ -	\$ -	\$ 89,692
Less: accumulated depreciation	<u>(65,234)</u>	<u>(3,215)</u>	<u>-</u>	<u>(68,449)</u>
Business-type activities capital assets, net	<u>\$ 24,458</u>	<u>\$ (3,215)</u>	<u>\$ -</u>	<u>\$ 21,243</u>

Depreciation expense was charged to the adult education enterprise fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 10 - LONG-TERM OBLIGATIONS

During fiscal year 2019, the following changes occurred in the governmental activities and business-type activities long-term obligations.

	Balance 06/30/18	Additions	Reductions	Balance 06/30/19	Amounts Due in One Year
Governmental activities:					
General obligation bonds - series 2010					
Current interest bonds	\$ 6,920,000	\$ -	\$ -	\$ 6,920,000	\$ -
Capital appreciation bonds	271,447	-	(91,213)	180,234	74,647
Accreted interest	<u>1,216,406</u>	<u>311,597</u>	<u>(468,787)</u>	<u>1,059,216</u>	<u>438,698</u>
Total general obligation bonds	<u>8,407,853</u>	<u>311,597</u>	<u>(560,000)</u>	<u>8,159,450</u>	<u>513,345</u>
Refunding bonds - series 2014					
Current interest bonds	17,585,000	-	(25,000)	17,560,000	25,000
Net pension liability	37,643,289	-	(2,496,840)	35,146,449	-
Net OPEB liability	7,953,707	120,528	(5,186,077)	2,888,158	-
Compensated absences payable	<u>1,479,591</u>	<u>153,326</u>	<u>(210,799)</u>	<u>1,422,118</u>	<u>114,772</u>
Total governmental activities long-term liabilities	<u>\$ 73,069,440</u>	<u>\$ 585,451</u>	<u>\$ (8,478,716)</u>	<u>65,176,175</u>	<u>\$ 653,117</u>
Unamortized premium				<u>1,092,167</u>	
Total governmental activities as reported on statement of net position				<u>\$ 66,268,342</u>	
Business-type activities:					
Net pension liability	\$ 1,832,895	\$ -	\$ (184,858)	\$ 1,648,037	\$ -
Net OPEB liability	480,622	-	(208,226)	272,396	-
Compensated absences	<u>57,773</u>	<u>5,279</u>	<u>(4,166)</u>	<u>58,886</u>	<u>3,764</u>
Total business-type activities long-term liabilities	<u>\$ 2,371,290</u>	<u>\$ 5,279</u>	<u>\$ (397,250)</u>	<u>\$ 1,979,319</u>	<u>\$ 3,764</u>

Compensated Absences

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2010 School Improvement General Obligation Bonds

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

The original issue was comprised of both current interest bonds, par value \$24,990,000, and capital appreciation bonds par value \$810,138. The interest rates on the current interest bonds range from 2.00%-7.30%. A capital appreciation bond matured on December 1, 2018 (approximate initial offering yield to maturity 3.81%). The remaining capital appreciation bonds mature on December 1, 2019 (approximate initial offering yield to maturity 4.10%), December 1, 2020 (approximate initial offering yield to maturity 4.35%) and December 1, 2021 (approximate initial offering yield to maturity 4.55%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,265,000. Total accreted interest of \$1,059,216 for series 2010 has been included on the statement of net position at June 30, 2019. This issue is comprised of current interest bonds and capital appreciation bonds, present value of \$6,920,000 and \$180,234 at June 30, 2019.

During fiscal year 2014, \$17,680,000 of the series 2010 general obligation bonds were refunded.

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

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

Fiscal Year	Current Interest - Series 2010			Capital Appreciation - Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ -	\$ 460,180	\$ 460,180	\$ 74,647	\$ 500,353	\$ 575,000
2021	-	460,180	460,180	61,053	528,947	590,000
2022	-	460,180	460,180	44,534	495,466	540,000
2023	-	460,180	460,180	-	-	-
2024	-	460,180	460,180	-	-	-
2025 - 2029	-	2,300,900	2,300,900	-	-	-
2030	<u>6,920,000</u>	<u>230,090</u>	<u>7,150,090</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,920,000</u>	<u>\$ 4,831,890</u>	<u>\$ 11,751,890</u>	<u>\$ 180,234</u>	<u>\$ 1,524,766</u>	<u>\$ 1,705,000</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year	Sinking Fund Deposit Due
2020	\$ -
2021	-
2022	150,000
2023	710,000
2024	735,000
2025 - 2029	4,360,000
2030	<u>965,000</u>
Total	<u>\$ 6,920,000</u>

Refunding Bonds, Series 2014

On April 10, 2014, the District issued general obligation refunding bonds (Series 2014, refunding bonds). These bonds refunded the \$17,680,000 callable portion of the Series 2010 issue. The interest rate on the current interest bonds range from 1.50% to 5.25%. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the bond retirement fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. This issue is comprised of current interest bonds, present value \$17,560,000 at June 30, 2019. The balance of the refunded bonds outstanding at June 30, 2019 is \$17,680,000.

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

The net carrying amount of the old debt and the refunded premium exceeded the reacquisition price by \$362,764. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Future Debt Service Requirements

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

Refunding Bonds 2014				
Fiscal Year	Principal	Interest	Total	
2020	\$ 25,000	\$ 805,881	\$ 830,881	
2021	25,000	805,350	830,350	
2022	20,000	804,819	824,819	
2023	-	804,569	804,569	
2024	-	804,569	804,569	
2025 - 2029	-	4,022,845	4,022,845	
2030 - 2034	3,855,000	3,689,473	7,544,473	
2035 - 2039	6,575,000	2,275,696	8,850,696	
2040 - 2044	<u>7,060,000</u>	<u>707,844</u>	<u>7,767,844</u>	
Total	<u>\$ 17,560,000</u>	<u>\$ 14,721,046</u>	<u>\$ 32,281,046</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$6,479,694 (including available funds of \$1,621,408) and an unvoted debt margin of \$327,984.

NOTE 11 - COMPENSATED ABSENCES

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

Administrators, teachers, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to 320 days. Upon retirement, full-time certified employees receive a payment of 25% of their unused sick leave balance up to a maximum of 70 days and full-time classified employees receive a payment of 25% of their unused sick leave balance up to a maximum of 72.5 days.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability: Each occurrence	SORSA	\$ 15,000,000	\$0
Property/Boiler and Machinery	SORSA	135,598,805	0
Automobile: Bodily Injury & Property Damage	SORSA	15,000,000	0

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Health Care Self-Insurance Program

The District provides the following insurance coverage for employees, which is administered through Medical Mutual of Ohio. The District has also purchased a commercial “stop-loss” policy for its self-insurance plan with a \$125,000 per covered person threshold.

Certified employees receive hospital, surgical and major medical, dental, vision and prescription drug coverage. The total monthly cost was \$627.34 for single coverage and \$1,695.09 for family coverage for fiscal year 2019. The District paid 93% of single and family coverage.

Classified employees receive hospital, surgical and major medical, dental, vision and prescription drug coverage. The monthly cost was \$779.38 for single coverage and \$2,116.71 for family coverage for fiscal year 2019. The District paid 93% of single and family coverage.

The claims liability of \$961,316 reported in the internal service fund at June 30, 2019, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, *“Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,”* as amended by GASB Statement No. 30, *“Risk Financing Omnibus,”* which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

Fiscal Year	Beginning of Year	Claims	Payments	End of Year
2019	\$ 622,215	\$ 6,412,496	\$ (6,073,395)	\$ 961,316
2018	\$ 638,518	\$ 4,895,124	\$ (4,911,427)	\$ 622,215

C. Workers’ Compensation Group Retrospective Rating Plan

For fiscal year 2019, the District participated in a Workers’ Compensation Group Retrospective Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Under the GRP, the participating districts continues to pay their own individual premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating districts receive either a premium refund or an assessment. The participating districts pay an experience- or base-rated premium under the same terms as if they were not in a retrospective group. The group-retrospective premiums are recalculated twelve months after the end of the policy year and the recalculated premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, the participating districts receive a refund. If the retrospective premium is higher than the standard premium, the participating districts are charged an assessment.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$493,453 for fiscal year 2019. Of this amount, \$36,167 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,173,548 for fiscal year 2019. Of this amount, \$365,784 is reported as pension and postemployment benefits payable.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.11185230%	0.13804656%	
Proportion of the net pension liability current measurement date	<u>0.11216090%</u>	<u>0.13812608%</u>	
Change in proportionate share	<u>0.00030860%</u>	<u>0.00007952%</u>	
Proportionate share of the net pension liability	\$ 6,423,662	\$ 30,370,824	\$ 36,794,486
Pension expense	\$ 412,163	\$ 2,755,454	\$ 3,167,617

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 352,295	\$ 701,054	\$ 1,053,349
Changes of assumptions	145,059	5,382,284	5,527,343
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	59,113	433,356	492,469
Contributions subsequent to the measurement date	<u>493,453</u>	<u>2,173,548</u>	<u>2,667,001</u>
Total deferred outflows of resources	<u>\$ 1,049,920</u>	<u>\$ 8,690,242</u>	<u>\$ 9,740,162</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 198,341	\$ 198,341
Net difference between projected and actual earnings on pension plan investments	177,979	1,841,653	2,019,632
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>155,409</u>	<u>596,720</u>	<u>752,129</u>
Total deferred inflows of resources	<u>\$ 333,388</u>	<u>\$ 2,636,714</u>	<u>\$ 2,970,102</u>

\$2,667,001 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	\$ 410,237	\$ 2,443,591	\$ 2,853,828
2021	78,229	1,800,201	1,878,430
2022	(210,804)	73,797	(137,007)
2023	<u>(54,583)</u>	<u>(437,609)</u>	<u>(492,192)</u>
Total	<u>\$ 223,079</u>	<u>\$ 3,879,980</u>	<u>\$ 4,103,059</u>

Actuarial Assumptions - SERS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 9,048,213	\$ 6,423,662	\$ 4,223,153

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	<u>July 1, 2018</u>
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	Current		
	1% Decrease (6.45%)	Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 44,352,590	\$ 30,370,824	\$ 18,537,156

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$69,112.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$87,388 for fiscal year 2019. Of this amount, \$70,452 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.11358270%	0.13804656%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.11392380%</u>	<u>0.13812608%</u>	
Change in proportionate share	<u>0.00034110%</u>	<u>0.00007952%</u>	
Proportionate share of the net OPEB liability	\$ 3,160,554	\$ -	\$ 3,160,554
Proportionate share of the net OPEB asset	\$ -	\$ (2,219,545)	\$ (2,219,545)
OPEB expense	\$ 125,007	\$ (4,821,813)	\$ (4,696,806)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 51,591	\$ 259,248	\$ 310,839
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	5,386	13,175	18,561
Contributions subsequent to the measurement date	<u>87,388</u>	<u>-</u>	<u>87,388</u>
Total deferred outflows of resources	<u>\$ 144,365</u>	<u>\$ 272,423</u>	<u>\$ 416,788</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 129,318	\$ 129,318
Net difference between projected and actual earnings on pension plan investments	4,741	253,565	258,306
Changes of assumptions	283,951	3,024,306	3,308,257
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>73,019</u>	<u>51,053</u>	<u>124,072</u>
Total deferred inflows of resources	<u>\$ 361,711</u>	<u>\$ 3,458,242</u>	<u>\$ 3,819,953</u>

\$87,388 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ (146,576)	\$ (571,272)	\$ (717,848)
2021	(114,760)	(571,272)	(686,032)
2022	(14,018)	(571,272)	(585,290)
2023	(12,002)	(513,688)	(525,690)
2024	(12,326)	(493,481)	(505,807)
Thereafter	<u>(5,052)</u>	<u>(464,834)</u>	<u>(469,886)</u>
Total	<u>\$ (304,734)</u>	<u>\$ (3,185,819)</u>	<u>\$ (3,490,553)</u>

Actuarial Assumptions - SERS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 3,835,084	\$ 3,160,554	\$ 2,626,453

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 2,549,987	\$ 3,160,554	\$ 3,969,054

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018	July 1, 2017
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%, effective July 1, 2017
Discounted rate of return	7.45%	N/A
Blended discount rate of return	N/A	4.13%
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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

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

Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u><u>100.00 %</u></u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ 1,902,358	\$ 2,219,545	\$ 2,486,126
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 2,471,077	\$ 2,219,545	\$ 1,964,095

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	Net Change in Fund Balance	<u>General fund</u>
Budget basis		\$ 645,357
Net adjustment for revenue accruals		805,377
Net adjustment for expenditure accruals		31,987
Net adjustment for other sources and uses		(315,504)
Funds budgeted elsewhere		<u>(62,977)</u>
GAAP basis		<u>\$ 1,104,240</u>

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 17 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2018	\$ -
Current year set-aside requirement	514,652
Current year qualifying expenditures	(613,356)
Current year offsets	<u>(212,320)</u>
Total	<u>\$ (311,024)</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u>\$ -</u>

During fiscal year 2011, the District issued \$25,800,138 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition to zero in future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods. \$24,655,597 of the \$25,800,138 in proceeds from the issuance has not been used as offsets as of June 30, 2019.

NOTE 18 - TAX ABATEMENTS

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

For the District, the City of Mansfield has entered into agreements through these abatement programs that have caused a reduction to the District’s property tax revenues. During fiscal year 2019, the District’s property tax revenues were reduced as follows:

Government Entering <u>Into Agreement</u>	Tax Abatement Program			District Forgone <u>Tax Revenue</u>
	CRA	EZAs	CUR	
City of Mansfield	\$ 158,413	\$ 297,048	\$ 50,797	\$ 506,258

During fiscal year 2019, the District received \$268,441 in compensation payments associated with the forgone property tax revenue. These compensation payments are reported as payments in lieu of taxes on the basic financial statements.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	2019	2018	2017	2016
District's proportion of the net pension liability	0.11216090%	0.11185230%	0.11512510%	0.11692560%
District's proportionate share of the net pension liability	\$ 6,423,662	\$ 6,682,928	\$ 8,426,095	\$ 6,671,888
District's covered payroll	\$ 3,773,222	\$ 3,642,500	\$ 3,688,886	\$ 3,519,712
District's proportionate share of the net pension liability as a percentage of its covered payroll	170.24%	183.47%	228.42%	189.56%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015 **2014**

0.11825500% 0.11825500%

\$ 5,984,818 \$ 7,032,245

\$ 3,436,248 \$ 3,414,234

174.17% 205.97%

71.70% 65.52%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	2019	2018	2017	2016
District's proportion of the net pension liability	0.13812608%	0.13804656%	0.13914933%	0.13547969%
District's proportionate share of the net pension liability	\$ 30,370,824	\$ 32,793,256	\$ 46,577,475	\$ 37,442,624
District's covered payroll	\$ 14,452,629	\$ 15,323,357	\$ 14,466,329	\$ 14,135,036
District's proportionate share of the net pension liability as a percentage of its covered payroll	210.14%	214.01%	321.97%	264.89%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015 **2014**

0.13915392% 0.13915392%

\$ 33,847,049 \$ 40,318,384

\$ 14,217,685 \$ 13,752,492

238.06% 293.17%

74.70% 69.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	\$ 493,453	\$ 509,385	\$ 509,950	\$ 516,444
Contributions in relation to the contractually required contribution	<u>(493,453)</u>	<u>(509,385)</u>	<u>(509,950)</u>	<u>(516,444)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered payroll	\$ 3,655,207	\$ 3,773,222	\$ 3,642,500	\$ 3,688,886
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
\$ 463,898	\$ 476,264	\$ 472,530	\$ 477,471	\$ 456,455	\$ 498,064
<u>(463,898)</u>	<u>(476,264)</u>	<u>(472,530)</u>	<u>(477,471)</u>	<u>(456,455)</u>	<u>(498,064)</u>
<u><u>\$ -</u></u>					
\$ 3,519,712	\$ 3,436,248	\$ 3,414,234	\$ 3,549,970	\$ 3,631,305	\$ 3,678,464
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	\$ 2,173,548	\$ 2,023,368	\$ 2,145,270	\$ 2,025,286
Contributions in relation to the contractually required contribution	<u>(2,173,548)</u>	<u>(2,023,368)</u>	<u>(2,145,270)</u>	<u>(2,025,286)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 15,525,343	\$ 14,452,629	\$ 15,323,357	\$ 14,466,329
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
\$ 1,978,905	\$ 1,848,299	\$ 1,787,824	\$ 1,856,946	\$ 1,903,645	\$ 1,881,354
<u>(1,978,905)</u>	<u>(1,848,299)</u>	<u>(1,787,824)</u>	<u>(1,856,946)</u>	<u>(1,903,645)</u>	<u>(1,881,354)</u>
<u><u>\$ -</u></u>					
\$ 14,135,036	\$ 14,217,685	\$ 13,752,492	\$ 14,284,200	\$ 14,643,423	\$ 14,471,954
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	2018	2017
District's proportion of the net OPEB liability	0.11392380%	0.11358270%	0.11679580%
District's proportionate share of the net OPEB liability	\$ 3,160,554	\$ 3,048,261	\$ 3,329,112
District's covered payroll	\$ 3,773,222	\$ 3,642,500	\$ 3,688,886
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	83.76%	83.69%	90.25%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	2018	2017
District's proportion of the net OPEB liability/asset	0.13812608%	0.13804656%	0.13914933%
District's proportionate share of the net OPEB liability/(asset)	\$ (2,219,545)	\$ 5,386,068	\$ 7,441,742
District's covered payroll	\$ 14,452,629	\$ 15,323,357	\$ 14,466,329
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	15.36%	35.15%	51.44%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.33%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	\$ 87,388	\$ 81,019	\$ 62,269	\$ 59,653
Contributions in relation to the contractually required contribution	<u>(87,388)</u>	<u>(81,019)</u>	<u>(62,269)</u>	<u>(59,653)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,655,207	\$ 3,773,222	\$ 3,642,500	\$ 3,688,886
Contributions as a percentage of covered payroll	2.39%	2.15%	1.71%	1.62%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
\$ 88,848	\$ 57,812	\$ 58,518	\$ 74,037	\$ 107,481	\$ 71,781
<u>(88,848)</u>	<u>(57,812)</u>	<u>(58,518)</u>	<u>(74,037)</u>	<u>(107,481)</u>	<u>(71,781)</u>
<u><u>\$ -</u></u>					
\$ 3,519,712	\$ 3,436,248	\$ 3,414,234	\$ 3,549,970	\$ 3,631,305	\$ 3,678,464
2.52%	1.68%	1.71%	2.09%	2.96%	1.95%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	- - - - -	- - - - -	- - - - -	- - - - -
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 15,525,343	\$ 14,452,629	\$ 15,323,357	\$ 14,466,329
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
\$ -	\$ 136,941	\$ 137,525	\$ 142,842	\$ 146,434	\$ 144,720
<u>-</u>	<u>(136,941)</u>	<u>(137,525)</u>	<u>(142,842)</u>	<u>(146,434)</u>	<u>(144,720)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 14,135,036	\$ 14,217,685	\$ 13,752,492	\$ 14,284,200	\$ 14,643,423	\$ 14,471,954
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

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

(Continued)

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

SUPPLEMENTARY INFORMATION

**MADISON LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE		CFDA NUMBER	(C) PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Cluster:				
(E) School Breakfast Program	10.553	2019	\$ 186,386	
National School Lunch Program	10.555	2019	732,794	
(D) (E) National School Lunch Program - Food Donation	10.555	2019	23,309	
Total National School Lunch Program			<u>756,103</u>	
Total Child Nutrition Cluster			<u>942,489</u>	
(E) Child and Adult Care Food Program	10.558	2019	57,400	
Total U.S. Department of Agriculture			<u>999,889</u>	
U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	N/A	239,986	
Federal Direct Student Loans	84.268	N/A	229,155	
Total Student Financial Assistance Cluster			<u>469,141</u>	
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2018	70,425	
Title I Grants to Local Educational Agencies	84.010	2019	864,053	
Total Title I Grants to Local Educational Agencies			<u>934,478</u>	
Special Education Cluster (IDEA):				
Special Education_Grants to States	84.027	2018	112,854	
Special Education_Grants to States	84.027	2019	658,895	
Special Education_Grants to States - Catastrophic	84.027	2019	4,222	
Total Special Education_Grants to States			<u>775,971</u>	
Special Education_Preschool Grants	84.173	2019	14,105	
Total Special Education Cluster (IDEA)			<u>790,076</u>	
Career and Technical Education -- Basic Grants to States	84.048	2019	<u>235,409</u>	
Supporting Effective Instruction State Grants	84.367	2019	17,666	
Supporting Effective Instruction State Grants	84.367	2019	116,327	
Total Supporting Effective Instruction State Grants			<u>133,993</u>	
Student Support and Academic Enrichment Program	84.424	2018	81,196	
Total U.S. Department of Education			<u>2,175,152</u>	
Total Federal Financial Assistance			<u>\$ 3,644,182</u>	

Notes to the Schedule of Expenditures of Federal Awards:

- (A) This schedule includes the federal award activity of the Madison Local School District under programs of the federal government for the fiscal year ended June 30, 2019 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Madison Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Madison Local School District.
- (B) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Madison Local School District has elected not to use the 10% de minimis indirect cost rate.
- (C) OAKS did not assign pass-through numbers for fiscal year 2019.
- (D) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (E) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Madison Local School District's basic financial statements and have issued our report thereon dated December 26, 2019.

Internal Control Over Financial Reporting

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

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

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

Madison Local School District
Richland County
Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

Julian & Grube, Inc.

Julian & Grube, Inc
December 26, 2019



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Madison Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Madison Local School District's major federal program for the fiscal year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Madison Local School District's major federal program.

Management's Responsibility

The Madison Local School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Madison Local School District

Richland County

Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on
Internal Control Over Compliance Required by the Uniform Guidance

Page 2

Opinion on the Major Federal Program

In our opinion, the Madison Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Julian & Grube, Inc.

Julian & Grube, Inc.

December 26, 2019

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



MADISON LOCAL SCHOOL DISTRICT
RICHLAND 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.

A handwritten signature in black ink that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 20, 2020