

***MADISON LOCAL SCHOOL DISTRICT, OHIO***

---

**BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED  
June 30, 2007**

*Prepared by:*

**Mr. Mark Zimov  
Treasurer**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Madison Local School District  
1324 Middletown-Eaton Rd.  
Middletown, OH 45042

We have reviewed the *Independent Auditors' Report* of the Madison Local School District, Butler County, prepared by Bastin & Company, LLC, for the audit period July 1, 2006 to June 30, 2007. 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. The Madison Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 29, 2008

This Page Intentionally Left Blank

**MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

**TABLE OF CONTENTS**

**I FINANCIAL SECTION**

**A** Independent Auditors’ Report.....1

**B** Management’s Discussion and Analysis .....3

**C** Basic Financial Statements:

    Government-wide Financial Statements:

        Statement of Net Assets.....12

        Statement of Activities .....13

    Fund Financial Statements:

*Governmental Funds:*

            Balance Sheet .....14

            Reconciliation of Total Governmental Fund Balances to Net Assets of  
            Governmental Activities .....15

            Statement of Revenues, Expenditures and Changes in Fund Balances .....16

            Reconciliation of the Statement of Revenues, Expenditures and Changes  
            in Fund Balances of Governmental Funds to the Statement of Activities ....18

            Statement of Revenues, Expenditures and Changes in Fund Balance –  
            Budget and Actual (Non-GAAP Budgetary Basis):

                General Fund .....19

*Fiduciary Funds:*

                    Statement of Fiduciary Net Assets .....20

    Notes to the Basic Financial Statements.....21

Schedule of Expenditures of Federal Awards .....46

Notes to the Schedule of Expenditures of Federal Awards .....47

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards .....48

Report on Compliance with Requirements Applicable to Each Major Program and  
Internal Control Over Compliance in Accordance with OMB Circular A-133.....50

Schedule of Findings and Questioned Costs .....52

This Page Intentionally left Blank

# Bastin & Company, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Board of Education  
Madison Local School District  
1324 Middletown-Eaton Road  
Middletown, Ohio 45042

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Butler County, Ohio, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
December 7, 2007



# MADISON LOCAL SCHOOL DISTRICT, OHIO

---

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007*

*Unaudited*

---

The discussion and analysis of Madison Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

#### **Key financial highlights for 2007 are as follows:**

- ❑ Net assets increased \$1,091,616, which represents a 52.8% increase from 2006.
- ❑ General revenues accounted for \$13,628,284 in revenue or 87.9% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,883,929 or 12.1% of total revenues of \$15,512,213.
- ❑ The District had \$14,420,597 in expenses related to governmental activities; only \$1,883,929 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13,628,284 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$12,612,711 in revenues and \$11,432,938 in expenditures. The general fund's fund balance increased \$1,179,773 to \$1,889,225. Revenues increased from 2006 by 21.6% primarily due to an increase in Property Taxes and state reimbursements for the Homestead Exemption, Property Tax Rollback, and the phase-out of tangible personal property values (Property Tax Allocation revenue). 2007 was the first year in which the full measure of the \$1.1 million emergency levy, passed in 2005, was received. Expenditures increased from 2006 by 9.7% primarily due to increased costs for salaries and wages, benefits, fuel, student transportation, maintenance, and special education.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007***

***Unaudited***

---

## **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

Governmental Activities – The District's programs and services are reported as governmental activities and include instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

***Management's Discussion and Analysis***  
***For the Fiscal Year Ended June 30, 2007***

***Unaudited***

*Fiduciary Funds* – The District is the trustee, or fiduciary, for various student-managed activity programs listed as an agency fund. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The following table provides a summary of the District's net assets for 2007 compared to 2006.

	Governmental Activities		Increase
	2007	2006	(Decrease)
Current and other assets	\$8,746,156	\$7,965,053	\$781,103
Capital assets, Net	13,157,838	13,664,194	(506,356)
Total assets	21,903,994	21,629,247	274,747
Long-term debt outstanding	12,801,044	12,967,198	(166,154)
Other liabilities	5,943,302	6,594,017	(650,715)
Total liabilities	18,744,346	19,561,215	(816,869)
Net assets			
Invested in capital assets, net of related debt	521,743	916,673	(394,930)
Restricted	625,771	351,551	274,220
Unrestricted	2,012,134	799,808	1,212,326
Total net assets	\$3,159,648	\$2,068,032	\$1,091,616

This space intentionally left blank.

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for fiscal years 2007 and 2006:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Revenues			
Program revenues:			
Charges for Services and Sales	\$1,172,130	\$960,592	\$211,538
Operating Grants and Contributions	711,799	775,865	(64,066)
General revenues:			
Taxes:			
Property Taxes	5,886,523	4,193,287	1,693,236
Income Taxes	852,750	820,821	31,929
Grants and Entitlements	6,819,302	6,631,136	188,166
Investment Earnings	69,709	24,957	44,752
Total revenues	<u>15,512,213</u>	<u>13,406,658</u>	<u>2,105,555</u>
Program Expenses			
Instruction:			
Regular Instruction	6,306,625	6,141,323	165,302
Special Instruction	794,473	778,170	16,303
Vocational Instruction	12,441	0	12,441
Other Instruction	291,716	0	291,716
Support Services:			
Pupils	543,365	584,600	(41,235)
Instructional Staff	722,751	664,775	57,976
Board of Education	61,133	57,503	3,630
Administration	1,108,077	958,133	149,944
Fiscal Services	275,368	256,200	19,168
Business	51,819	141,774	(89,955)
Operation and Maintenance of Plant	1,485,279	1,341,187	144,092
Pupil Transportation	817,794	729,056	88,738
Central	338,217	312,118	26,099
Operation of Non-Instructional Services:			
Food Service Operations	692,263	594,120	98,143
Community Services	28,787	21,801	6,986
Extracurricular Activities	368,909	325,555	43,354
Debt Service:			
Interest and Fiscal Charges	521,580	676,055	(154,475)
Total expenses	<u>14,420,597</u>	<u>13,582,370</u>	<u>838,227</u>
Total Change in Net Assets	1,091,616	(175,712)	1,267,328
Beginning Net Assets	<u>2,068,032</u>	<u>2,243,744</u>	<u>(175,712)</u>
Ending Net Assets	<u><u>\$3,159,648</u></u>	<u><u>\$2,068,032</u></u>	<u><u>\$1,091,616</u></u>

#### *Governmental Activities*

Net assets of the District's governmental activities increased by \$1,091,616 for fiscal year 2007 compared to a decrease of \$175,712 during fiscal year 2006. Revenues exceeded expenditures for 2007. This improvement was primarily due to an increase in property taxes and property tax allocation revenues from the 2005 emergency levy.

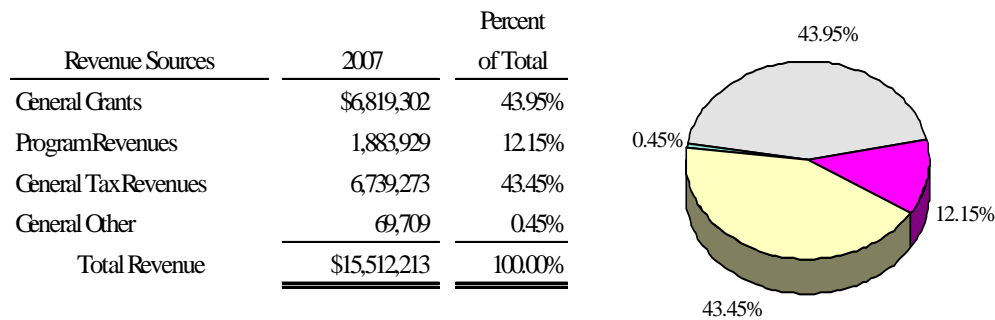
## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007**

**Unaudited**

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

Tax revenues made up 43.45% of revenues for governmental activities for Madison Local School District in fiscal year 2007. The District's reliance upon taxes is demonstrated by the following graph:



### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$2,563,635, which is an increase from last year's total of \$1,114,924. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Fund Balance June 30, 2006	Increase (Decrease)
General	\$1,889,225	\$709,452	\$1,179,773
Debt Service	303,583	173,307	130,276
Other Governmental	370,827	232,165	138,662
Total	\$2,563,635	\$1,114,924	\$1,448,711

*General Fund* –The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2007 Revenues	2006 Revenues	Increase (Decrease)
Taxes	\$5,444,481	\$3,747,932	\$1,696,549
Tuition	319,505	73,179	246,326
Investment Earnings	63,321	21,490	41,831
Extracurricular Activities	79,199	0	79,199
Intergovernmental - State	6,657,667	6,469,802	187,865
All Other Revenue	48,538	60,321	(11,783)
Total	\$12,612,711	\$10,372,724	\$2,239,987

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

### ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007***

***Unaudited***

---

General Fund revenues in 2007 increased approximately 21.6% compared to revenues for fiscal year 2006. The primary factor contributing to this increase was an increase in property taxes and property tax allocation revenues from the 2005 emergency levy.

	2007	2006	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Instruction:			
Regular Instruction	\$5,576,250	\$5,273,305	\$302,945
Special Instruction	651,880	633,312	18,568
Vocational Instruction	12,175	0	12,175
Other Instruction	292,558	0	292,558
Supporting Services:			
Pupils	531,585	598,054	(66,469)
Instructional Staff	382,703	406,758	(24,055)
Board of Education	61,309	58,011	3,298
Administration	1,059,291	920,647	138,644
Fiscal Services	283,261	259,470	23,791
Business	33,551	62,682	(29,131)
Operation and Maintenance of Plant	1,261,961	1,232,339	29,622
Pupil Transportation	764,966	670,673	94,293
Central	303,793	287,036	16,757
Community Services	966	0	966
Extracurricular Activities	216,689	12,936	203,753
Total	<u>\$11,432,938</u>	<u>\$10,415,223</u>	<u>\$1,017,715</u>

The expenditures increased by \$1,017,715 or 9.7% compared to the prior year mostly due to increased costs for salaries and wages, benefits, fuel, student transportation, maintenance, and special education.

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

During the course of fiscal year 2007 the District amended its General Fund budget several times, none significant.

# MADISON LOCAL SCHOOL DISTRICT, OHIO

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007

Unaudited

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2007 the District had \$13,157,838 net of accumulated depreciation invested in land; land improvements; buildings; furniture, fixtures and equipment and vehicles. The following table shows fiscal year 2007 and 2006 balances:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Land	\$93,258	\$93,258	\$0
Land Improvements	228,740	228,740	0
Buildings	14,979,360	14,974,400	4,960
Furniture, Fixtures and Equipment	2,872,979	2,866,454	6,525
Vehicles	979,212	979,212	0
Less: Accumulated Depreciation	(5,995,711)	(5,477,870)	(517,841)
Totals	<u>\$13,157,838</u>	<u>\$13,664,194</u>	<u>(\$506,356)</u>

The primary increase occurred in buildings and furniture, fixtures and equipment which can be attributed to the addition and replacement of computers and computer related equipment. Overall net capital assets decreased by \$506,356, the majority of which is attributable to depreciation expense for the current year.

Additional information on the District's capital assets can be found in Note 7.

#### Debt

At June 30, 2007, the District had \$12,303,786 in bonds outstanding, \$404,371 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2007 and 2006:

	2007	2006
Governmental Activities:		
General Obligation Bonds	\$12,303,786	\$12,324,937
Installment Loan Payable	0	7,900
Capital Leases	332,309	414,684
Compensated Absences	164,949	219,677
Totals	<u>\$12,801,044</u>	<u>\$12,967,198</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2007, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Notes 9 and 10.

# **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007***

***Unaudited***

---

## **ECONOMIC FACTORS**

As the preceding information shows, the District is heavily dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. New construction and new levies also contribute to growth of this revenue. Therefore the District must continue to monitor its revenues and expenses to ensure the public's confidence and support.

A challenge facing the District is the future of state funding. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The Court found the State's funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations. The district is currently on a "guarantee" with regard to State Foundation funding. This means that the funding formula would net a deficiency of revenue because of declining resident enrollment (ADM), and funds to bring the district up to the prior year's level of state funding are needed to avoid financial hardship.

Given the district's demographic trend and lack of growing revenue streams to service inflating costs, sound management and board direction will be necessary to meet future financial challenges. With careful planning and monitoring of the District's finances and education of local taxpayers about educational finance matters, management is confident that upcoming financial challenges can be overcome and quality services will continue into the foreseeable future.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, 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 Mark Zimov, Treasurer, 1324 Middletown Eaton Rd., Middletown, Ohio 45042-1525.



This Page Intentionally left Blank

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

### ***Statement of Net Assets*** ***June 30, 2007***

---

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 1,936,525
Receivables:	
Taxes	6,632,814
Accounts	11,227
Interest	97
Inventory of Supplies at Cost	2,003
Prepaid Items	6,758
Deferred Charges	156,732
Capital Assets, Net	<u>13,157,838</u>
<b>Total Assets</b>	<u><u>21,903,994</u></u>
<b>Liabilities:</b>	
Accounts Payable	61,378
Accrued Wages and Benefits	982,181
Deferred Revenue	4,828,711
Accrued Interest Payable	71,032
Long Term Liabilities:	
Due Within One Year	490,558
Due in More Than One Year	<u>12,310,486</u>
<b>Total Liabilities</b>	<u><u>18,744,346</u></u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	521,743
Restricted For:	
Capital Projects	256,243
Debt Service	261,549
Other Purposes	107,979
Unrestricted	<u>2,012,134</u>
<b>Total Net Assets</b>	<u><u>\$ 3,159,648</u></u>

See accompanying notes to the basic financial statements

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

### **Statement of Activities For the Fiscal Year Ended June 30, 2007**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 6,306,625	\$ 433,991	\$ 84,400	\$ (5,788,234)
Special Instruction	794,473	0	148,006	(646,467)
Vocational Instruction	12,441	0	0	(12,441)
Other Instruction	291,716	0	0	(291,716)
Support Services:				
Pupils	543,365	0	3,285	(540,080)
Instructional Staff	722,751	0	318,686	(404,065)
Board of Education	61,133	0	0	(61,133)
Administration	1,108,077	0	0	(1,108,077)
Fiscal Services	275,368	0	0	(275,368)
Business	51,819	0	0	(51,819)
Operation and Maintenance of Plant	1,485,279	0	5,176	(1,480,103)
Pupil Transportation	817,794	0	343	(817,451)
Central	338,217	0	9,000	(329,217)
Operation of Non-Instructional:				
Food Service Operations	692,263	466,236	142,903	(83,124)
Community Services	28,787	35,970	0	7,183
Extracurricular Activities	368,909	235,933	0	(132,976)
Interest and Fiscal Charges	521,580	0	0	(521,580)
<b>Totals</b>	<b>\$ 14,420,597</b>	<b>\$ 1,172,130</b>	<b>\$ 711,799</b>	<b>(12,536,668)</b>
<b>General Revenues:</b>				
Taxes:				
Property				5,886,523
Income				852,750
Grants and Entitlements not Restricted to Specific Programs				6,819,302
Investment Earnings				69,709
Total General Revenues				<u>13,628,284</u>
Change in Net Assets				1,091,616
Net Assets Beginning of Year				<u>2,068,032</u>
Net Assets End of Year				<u>\$ 3,159,648</u>

See accompanying notes to the basic financial statements

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

### **Balance Sheet Governmental Funds June 30, 2007**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,313,294	\$ 303,583	\$ 319,648	\$ 1,936,525
Receivables:				
Taxes	5,439,123	640,998	552,693	6,632,814
Accounts	9,292	0	1,935	11,227
Interest	97	0	0	97
Interfund Loans Receivable	23,192	0	0	23,192
Inventory of Supplies at Cost	0	0	2,003	2,003
Prepaid Items	6,758	0	0	6,758
<b>Total Assets</b>	<b>\$ 6,791,756</b>	<b>\$ 944,581</b>	<b>\$ 876,279</b>	<b>\$ 8,612,616</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 39,691	\$ 0	\$ 21,687	\$ 61,378
Accrued Wages and Benefits	899,301	0	82,880	982,181
Interfund Loans Payable	0	0	23,192	23,192
Deferred Revenue	3,963,539	640,998	377,693	4,982,230
<b>Total Liabilities</b>	<b>4,902,531</b>	<b>640,998</b>	<b>505,452</b>	<b>6,048,981</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	0	0	10,059	10,059
Reserved for Prepaid Items	6,758	0	0	6,758
Reserved for Supplies Inventory	0	0	2,003	2,003
Reserved for Debt Service	0	303,583	0	303,583
Reserved for Property Taxes	1,050,000	0	175,000	1,225,000
Unreserved, Undesignated in:				
General Fund	832,467	0	0	832,467
Special Revenue Funds	0	0	105,306	105,306
Capital Projects Funds	0	0	78,459	78,459
<b>Total Fund Balances</b>	<b>1,889,225</b>	<b>303,583</b>	<b>370,827</b>	<b>2,563,635</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,791,756</b>	<b>\$ 944,581</b>	<b>\$ 876,279</b>	<b>\$ 8,612,616</b>

See accompanying notes to the basic financial statements

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

### ***Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2007***

---

**Total Governmental Fund Balances** \$ 2,563,635

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

Capital Assets used in governmental activities are not  
resources and therefore are not reported in the funds. 13,157,838

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds. 153,519

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 Payable	(12,303,786)
Capital Leases Payable	(332,309)
Deferred Charges for Issuance Costs	156,732
Accrued Interest Payable	(71,032)
Compensated Absences Payable	(164,949)

(12,715,344)

***Net Assets of Governmental Activities***

\$ 3,159,648

See accompanying notes to the basic financial statements

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

### **Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2007**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 5,444,481	\$ 772,568	\$ 714,125	\$ 6,931,174
Tuition	319,505	0	0	319,505
Investment Earnings	63,321	0	6,388	69,709
Food Services	0	0	465,626	465,626
Extracurricular Activities	79,199	0	149,001	228,200
Class Materials and Fees	0	0	62,510	62,510
Intergovernmental - State	6,657,667	94,251	113,757	6,865,675
Intergovernmental - Federal	0	0	665,426	665,426
All Other Revenue	48,538	0	47,751	96,289
<b>Total Revenue</b>	<b>12,612,711</b>	<b>866,819</b>	<b>2,224,584</b>	<b>15,704,114</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular Instruction	5,576,250	0	366,947	5,943,197
Special Instruction	651,880	0	146,610	798,490
Vocational Instruction	12,175	0	0	12,175
Other Instruction	292,558	0	0	292,558
Supporting Services:				
Pupils	531,585	0	1,014	532,599
Instructional Staff	382,703	0	336,801	719,504
Board of Education	61,309	0	0	61,309
Administration	1,059,291	0	7,387	1,066,678
Fiscal Services	283,261	0	5,372	288,633
Business	33,551	0	0	33,551
Operation & Maintenance of Plant	1,261,961	0	206,355	1,468,316
Pupil Transportation	764,966	0	1,299	766,265
Central	303,793	12,966	22,434	339,193
Operation of Non-Instructional:				
Food Service Operations	0	0	674,624	674,624
Community Services	966	0	27,586	28,552
Extracurricular Activities	216,689	0	159,147	375,836
Capital Outlay	0	0	27,150	27,150
Debt Service:				
Principal Retirement	0	202,900	82,375	285,275
Interest & Fiscal Charges	0	677,409	19,882	697,291
<b>Total Expenditures</b>	<b>11,432,938</b>	<b>893,275</b>	<b>2,084,983</b>	<b>14,411,196</b>

(Continued)

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2007**

---

(Continued)

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over Expenditures	1,179,773	(26,456)	139,601	1,292,918
<b>Other Financing Sources (Uses):</b>				
Issuance of Refunding Bonds	0	10,254,991	0	10,254,991
Premium on the Issuance of Refunding Bonds	0	764,118	0	764,118
Payment to Refunded Bond Escrow Agent	0	(10,862,377)	0	(10,862,377)
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>156,732</u>	<u>0</u>	<u>156,732</u>
Net Change in Fund Balance	1,179,773	130,276	139,601	1,449,650
<b>Fund Balances at Beginning of Year</b>	709,452	173,307	232,165	1,114,924
Decrease in Inventory Reserve	0	0	(939)	(939)
<b>Fund Balances End of Year</b>	<u>\$ 1,889,225</u>	<u>\$ 303,583</u>	<u>\$ 370,827</u>	<u>\$ 2,563,635</u>

See accompanying notes to the basic financial statements

## **MADISON LOCAL SCHOOL DISTRICT, 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, 2007***

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 1,449,650</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Outlay	65,742	
Depreciation Expense	<u>(571,264)</u>	(505,522)
The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets.		
The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	<u>(834)</u>	(834)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(191,901)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Issuance of Refunding Bonds	(10,254,991)	
Premium on Refunding Bonds	(764,118)	
Payment to Refunding Bond Escrow Agent	10,862,377	
Capitalization of Bond Issuance Costs (Deferred Charges)	156,732	
Accretion on Capital Appreciation Bonds	(17,117)	
General Obligation Bond Principal Payment	195,000	
Capital Lease Payments	82,375	
Installment Loan Principal Payment	<u>7,900</u>	268,158
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		36,096
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated Absences	36,908	
Change in Inventory	<u>(939)</u>	<u>35,969</u>
<b><i>Change in Net Assets of Governmental Activities</i></b>		<b><u><u>\$ 1,091,616</u></u></b>

See accompanying notes to the basic financial statements



## **MADISON LOCAL SCHOOL DISTRICT, 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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive Negative
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 4,528,261	\$ 4,884,135	\$ 4,884,135	\$ 0
Tuition	319,455	319,505	319,505	0
Investment Earnings	43,000	65,604	63,860	(1,744)
Extracurricular Activities	110,000	79,199	79,199	0
Intergovernmental - State	6,336,852	6,657,667	6,657,667	0
All Other Revenues	3,800	38,542	38,542	0
Total Revenues	<u>11,341,368</u>	<u>12,044,652</u>	<u>12,042,908</u>	<u>(1,744)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular Instruction	5,924,423	5,584,557	5,581,580	2,977
Special Instruction	631,562	661,936	661,916	20
Vocational Instruction	0	12,175	12,175	0
Other Instruction	307,855	292,558	292,558	0
Support Services:				
Pupils	535,677	543,400	539,734	3,666
Instructional Staff	338,506	378,100	378,091	9
Board of Education	71,588	57,195	57,049	146
Administration	1,023,053	1,048,980	1,048,980	0
Fiscal Services	271,606	282,942	282,942	0
Business	44,673	33,551	33,551	0
Operation and Maintenance of Plant	1,192,545	1,266,285	1,264,831	1,454
Pupil Transportation	672,628	770,245	768,232	2,013
Central	327,491	301,992	301,992	0
Community Services	1,630	966	966	0
Extracurricular Activities	188,960	216,689	216,689	0
Capital Outlay	0	600	600	0
Total Expenditures	<u>11,532,197</u>	<u>11,452,171</u>	<u>11,441,886</u>	<u>10,285</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,829)	592,481	601,022	8,541
<b>Other Financing Sources (Uses):</b>				
Transfers In	120,000	272	4,497	4,225
Transfers Out	(115,000)	0	0	0
Advances In	0	1,595	1,595	0
Advances Out	0	(23,192)	(23,192)	0
Refund of Prior Year's Expenditures	0	8,416	8,416	0
Total Other Financing Sources (Uses):	<u>5,000</u>	<u>(12,909)</u>	<u>(8,684)</u>	<u>4,225</u>
Net Change in Fund Balance	(185,829)	579,572	592,338	12,766
Fund Balance at Beginning of Year	686,920	686,920	686,920	0
Prior Year Encumbrances	12,933	12,933	12,933	0
Fund Balance at End of Year	<u>\$ 514,024</u>	<u>\$ 1,279,425</u>	<u>\$ 1,292,191</u>	<u>\$ 12,766</u>

See accompanying notes to the basic financial statements

**MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

***Statement of Assets and Liabilities  
Fiduciary Funds  
June 30, 2007***

---

	<u>Agency</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 36,872
<b>Total Assets</b>	<u>\$ 36,872</u>
<b>Liabilities:</b>	
Due to Students	\$ 36,872
<b>Total Liabilities</b>	<u>\$ 36,872</u>

See accompanying notes to the basic financial statements

# **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by 71 noncertified, 106 certified teaching and administrative personnel providing education to 1,546 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular and special education), student guidance, extracurricular activities and care and upkeep of grounds and buildings.

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

#### **B. Basis of Presentation - Fund Accounting**

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

The following fund types are used by the District:

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

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting** (Continued)

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

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

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

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

##### **C. Basis of Presentation – Financial Statements**

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

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

# **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **C. Basis of Presentation – Financial Statements (Continued)**

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

#### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

# **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **D. Basis of Accounting (Continued)**

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees and interest on investments.

Current property taxes measurable at June 30, 2007, and which are not intended to finance fiscal 2007 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 30 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2007 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements. Revenues are recognized when they are earned and expenses are recognized when incurred.

***Revenues – Exchange and Non-exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

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.

#### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

# **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **E. Budgetary Process** (Continued)

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the Board of Education.

##### **1. Tax Budget**

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

##### **2. Estimated Resources**

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2007.

##### **3. Appropriations**

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund, department and object level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process (Continued)**

##### **4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

##### **5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

##### **6. Budgetary Basis of Accounting**

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of fund balance (GAAP basis).

This space intentionally left blank.



**MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**6. Budgetary Basis of Accounting (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	\$1,179,773
Increase (Decrease):	
Accrued Revenues at June 30, 2007, received during FY 2008	(1,508,165)
Accrued Revenues at June 30, 2006, received during FY 2007	917,458
Accrued Expenditures at June 30, 2007, paid during FY 2008	938,992
Accrued Expenditures at June 30, 2006, paid during FY 2007	(907,859)
FY 2007 Prepays for FY 2008	(6,758)
Encumbrances Outstanding	(21,103)
Budget Basis	<u>\$592,338</u>

**F. Cash and Cash Equivalents**

Cash and cash equivalents includes all demand deposits and investments.

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

# **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **G. Investments**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Total interest revenue, which has been credited to the general fund during fiscal year 2007, amounted to \$63,321. The Board of Education has passed a resolution to allow interest to also be reported in the food service fund. Interest in this fund for fiscal year 2007 \$6,388.

#### **H. Inventory**

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

#### **I. Prepaid Items**

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

#### **J. Capital Assets and Depreciation**

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

##### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$250.

**MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007***

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Capital Assets and Depreciation (Continued)**

**1. Property, Plant and Equipment - Governmental Activities (Continued)**

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

**2. Depreciation**

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

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	50
Buildings and Improvements	50
Machinery/Equipment and Furniture/Fixtures	6-20
Vehicles	10

**K. Long-Term Obligations**

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Debt Service Fund
Installment Loan	Debt Service Fund
Capital Leases	Permanent Improvement Fund
Compensated Absences	General Fund, Food Services Fund, District Managed Student Activity Fund, Title I Fund

**MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Compensated Absences**

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

**VACATION**

	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certified</u>
How Earned	Not Eligible	0-20 days/year	10-20 days for each year depending on length of service
Max Accumulation	N/A	0-40 days	Must be used in year earned
Vested	N/A	As Earned	As earned after 1 year of service
Termination Entitlement	N/A	Paid upon termination	Paid upon termination

**SICK LEAVE**

	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certified</u>
How Earned	1 ¼ days per month of employment (15 days max per year)	1 ¼ days per month of employment (15 days max per year)	1 ¼ days per month of employment (15 days max per year)
Max Accumulation	184	Contract days	Contract Days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Paid upon termination	Paid upon termination	Paid upon termination

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

# **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **M. Net Assets**

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

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

#### **N. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability.

#### **O. Interfund Transactions**

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

#### **P. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for property taxes, supplies inventory, prepaid items, debt service, and encumbered amounts, which have not been accrued at year end.

#### **Q. Estimates**

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

## ***MADISON LOCAL SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

#### **NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

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

# **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

### **NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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

#### **A. Deposits**

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

At year end the carrying amount of the District’s deposits was \$1,473,397 and the bank balance was \$1,534,757. The Federal Deposit Insurance Corporation (FDIC) covered \$100,000 of the bank balance and \$1,434,757 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	<u>\$1,434,757</u>
Total Balance	<u><u>\$1,434,757</u></u>

**MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

---

**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments**

The District's investments at June 30, 2007 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years) less than 1
FHLB	\$500,000	AAA <sup>1</sup> , Aaa <sup>2</sup>	\$500,000
Total Investments	\$500,000		\$500,000

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer.

*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 investment or collateral securities that are in the possession of an outside party.

**C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents	Investments
Per Combined Balance Sheet	\$1,973,397	\$0
FHLB	(500,000)	500,000
Per GASB Statement No. 3	\$1,473,397	\$500,000

**NOTE 3 – COMPLIANCE AND ACCOUNTABILITY**

**Fund Deficits** - The fund deficits at June 30, 2007 of \$4,000 in the Entry Year Fund, \$18,396 in the Parent Mentor Grant Fund and of \$651 in the Title II Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the budgetary/cash basis of accounting. The General Fund provides operating transfers when cash is required, not when accruals occur.



# MADISON LOCAL SCHOOL DISTRICT, OHIO

---

## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007*

---

### **NOTE 4 - TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2007 were levied after October 1, 2006 on assessed values as of January 1, 2006, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2006, with equalization adjustments scheduled for 2009. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Madison Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value, upon which taxes were collected in 2007, were based as follows:

Agricultural/Residential and Other Real Estate	\$160,894,650
Public Utility Personal	3,790,760
Tangible Personal Property	2,563,101
Total Assessed Value	<u>\$167,248,511</u>
Tax rate per \$1,000 of assessed valuation	\$38.47

### **NOTE 5 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes, accounts, interest and interfund receivables.

**MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007***

---

**NOTE 6 - INTERFUND BALANCES**

Following is a summary of interfund receivables/payables for all funds at June 30, 2007:

<u>Fund</u>	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$23,192	\$0
Nonmajor Governmental Funds:		
Uniform School Supply Fund	0	15,400
Entry Year Fund	0	4,000
Title V Fund	0	448
Drug Free School Grant Fund	0	3,344
Totals	<u>\$23,192</u>	<u>\$23,192</u>

This space intentionally left blank.

**MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**

---

**NOTE 7 - CAPITAL ASSETS**

Summary by category of changes in governmental activities capital assets at June 30, 2007:

**Historical Cost:**

Class	June 30, 2006	Additions	Deletions	June 30, 2007
<b>Capital assets not being depreciated:</b>				
Land	\$93,258	\$0	\$0	\$93,258
<b>Capital assets being depreciated:</b>				
Land Improvements	228,740	0	0	228,740
Buildings	14,974,400	4,960	0	14,979,360
Furniture, Fixtures and Equipment	2,866,454	60,782	(54,257)	2,872,979
Vehicles	979,212	0	0	979,212
Total Cost	<u>\$19,142,064</u>	<u>\$65,742</u>	<u>(\$54,257)</u>	<u>\$19,153,549</u>

**Accumulated Depreciation:**

Class	June 30, 2006	Additions	Deletions	June 30, 2007
Land Improvements	(\$186,979)	(\$1,005)	\$0	(\$187,984)
Buildings	(2,804,577)	(308,137)	0	(3,112,714)
Furniture, Fixtures and Equipment	(1,736,897)	(205,089)	53,423	(1,888,563)
Vehicles	(749,417)	(57,033)	0	(806,450)
Total Depreciation	<u>(\$5,477,870)</u>	<u>(\$571,264) *</u>	<u>\$53,423</u>	<u>(\$5,995,711)</u>

<b>Net Value:</b>	<u>\$13,664,194</u>			<u>\$13,157,838</u>
-------------------	---------------------	--	--	---------------------

This space intentionally left blank.

# MADISON LOCAL SCHOOL DISTRICT, OHIO

---

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007

---

### NOTE 7 - CAPITAL ASSETS (Continued)

\* Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular Instruction	\$387,214
Special Instruction	1,172
Vocational Instruction	301
Support Services:	
Pupils	3,791
Instructional Staff	5,406
Administration	44,468
Fiscal Services	2,195
Business	18,365
Operations & Maintenance of Plant	27,083
Pupil Transportation	53,734
Operation of Noninstructional Services:	
Food Services	18,193
Community Services	317
Extracurricular Activities	9,025
Total Depreciation Expense	<u>\$571,264</u>

### NOTE 8 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

#### **A. School Employees Retirement System of Ohio (SERS of Ohio)**

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on the SERS website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

#### **NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)**

##### **A. School Employees Retirement System of Ohio (SERS of Ohio) (Continued)**

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2007, 10.68% was allocated to fund the pension benefit and 3.32% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2007, 2006, and 2005 were \$263,040, \$303,840, and \$309,996, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. The portion of the 2007 employer contribution rate (latest information available) that was used to fund health care for the year 2007 was 3.32%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2007, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The amount contributed to fund health care benefits, including the surcharge amounted to \$62,378.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ended June 30, 2006 (latest information available) were \$158,751,207. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. The number of participants eligible to receive benefits is 59,492.

##### **B. State Teachers Retirement System of Ohio (STRS of Ohio)**

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

#### **NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2006, (latest information available) 13% was allocated to fund the pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2007, 2006, and 2005 were \$829,455, \$832,620, and \$822,648, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees who participated in the DB or Combined Plans and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, health care benefits are not guaranteed.

**MADISON LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)**

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2006, (latest information available) the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Stabilization Fund, which amounted to \$59,247 for the District. The balance of the Health Care Stabilization Fund was \$3.5 billion at June 30, 2005. For the fiscal year ended June 30, 2006, the net health care costs paid by STRS were \$282,743,000. There were 119,184 eligible benefit recipients.

**NOTE 9 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in long-term debt and other long-term obligations of the District for the year ended June 30, 2007 are as follows:

		Balance			Balance	Amount Due
		June 30, 2006	Additions	Deductions	June 30, 2007	Within One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
1999 General Obligation Bond	4.25-5.75%	\$9,734,943	\$0	(\$8,430,000)	\$1,304,943	\$250,000
2000 General Obligation Bond	4.5-5.60%	2,589,994	0	(2,020,000)	569,994	75,000
2006 General Obligation Bond	4.0-4.05%	0	8,299,993	0	8,299,993	60,000
2007 General Obligation Bond	4.0-4.125%	0	1,954,998	0	1,954,998	50,000
Sub-Total General Obligation Bonds		12,324,937	10,254,991	(10,450,000)	12,129,928	435,000
Premium on General Obligation Bonds		0	764,118	0	764,118	38,206
Deferred Loss on Defeasance		0	0	(607,377)	(607,377)	(68,835)
Accretion on Capital Appreciation Bonds		0	17,117	0	17,117	0
<b>Total General Obligation Bonds</b>		<b>12,324,937</b>	<b>11,036,226</b>	<b>(11,057,377)</b>	<b>12,303,786</b>	<b>404,371</b>
Installment Loan	4.96%	7,900	0	(7,900)	0	0
Capital Leases		414,684	0	(82,375)	332,309	84,044
Compensated Absences		219,677	164,949	(219,677)	164,949	2,143
<b>Total Long-Term Obligations</b>		<b>\$12,967,198</b>	<b>\$11,201,175</b>	<b>(\$11,367,329)</b>	<b>\$12,801,044</b>	<b>\$490,558</b>

The Installment Loan was to provide for energy conservation measures in the District. The loan was paid off in monthly installments of \$7,933, including interest at a rate of 4.96 percent.

# **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

### **NOTE 9 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)**

On October 1, 1999, the District issued \$9,999,943 in general obligation bonds to retire previously issued notes. The bonds mature through 2014 and carry an interest rate between 4.25 and 5.75 percent. Proceeds from the debt are used for the construction, improvements, renovations, and additions to school facilities.

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

#### **A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2007, follows:

Years	General Obligation Bonds	
	Principal	Interest
2008	\$435,000	\$426,192
2009	465,000	438,555
2010	545,000	416,895
2011	580,000	391,495
2012	217,712	794,638
2013 - 2017	716,717	4,539,632
2018 - 2022	3,565,499	2,110,851
2023 - 2027	5,605,000	703,025
Totals	<u>\$12,129,928</u>	<u>\$9,821,283</u>

#### **B. Defeased Debt**

In November 2006, the District partially refunded \$8,300,000 of General Obligation Bonds for School Improvement Series 1999, dated October 1, 1999, through the issuance of \$8,299,993 of General Obligation Bonds. The net proceeds of the 2006 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$8,300,000 at June 30, 2007, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding. The District reduced its aggregate debt service payments over the life of the refunded bonds by \$1,266,684 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$953,316.



# **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

### **NOTE 9 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)**

#### **B. Defeased Debt (Continued)**

In March 2007, the District partially refunded \$1,955,000 of General Obligation Bonds for School Improvement Series 2000, dated November 27, 2000, through the issuance of \$1,954,998 of General Obligation Bonds. The net proceeds of the 2007 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,955,000, at June 30, 2007, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding. The District reduced its aggregate debt service payments over the life of the refunded bonds by \$223,588 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$153,971.

### **NOTE 10 - CAPITAL LEASE COMMITMENTS**

The District is obligated under two leases accounted for as capital leases. The cost of the leased assets (administration building and bleachers) are accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Long-Term Liabilities. The original cost of the assets under capital lease was \$644,630.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2007:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2008	\$102,257
2009	98,655
2010	59,034
2011	59,034
2012	54,123
Minimum Lease Payments	373,103
Less: Amount representing interest at the District's incremental borrowing rate of interest	(40,794)
Present Value of minimum lease payments	<u>\$332,309</u>

## **MADISON LOCAL SCHOOL DISTRICT, OHIO**

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

#### **NOTE 11 - STATUTORY RESERVES**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Previously, the District was also required to set aside money for budget stabilization.

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

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2006	(\$305,887)	(\$1,711,801)	(\$2,017,688)
Current Year Set-Aside Requirement	230,433	230,433	460,866
Set-aside Cash Balance as of June 30, 2007	(75,454)	(1,481,368)	(1,556,822)
Qualifying Disbursements	(102,138)	(851,937)	(954,075)
Set-aside Reserve Balance as of June 30, 2007	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Set-aside balance carried forward to future fiscal years	<u>(\$177,592)</u>	<u>(\$2,333,305)</u>	<u>(\$2,510,897)</u>

The District had qualifying disbursements during the fiscal year that reduced the textbook set-aside and capital acquisition amounts below zero. Current year qualifying disbursements in excess of current year or accumulated set-aside requirements for textbooks and capital acquisitions may be used to reduce set-aside requirements in future years. Actual cash balances in excess of set-aside requirements for textbooks may be used to offset set-aside requirements for future years. Actual cash balances in excess of set-aside requirements for capital improvements may be used to offset set-aside requirements for future years.

#### **NOTE 12 - JOINTLY GOVERNED ORGANIZATION**

The Southwest Ohio Computer Association (SWOCA), a jointly governed organization, as formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the four county consortium supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a Board of Directors consisting of one representative from each four districts plus one representative from the fiscal agent. The degree of control exercised by any participating school district is limited to its representation on the Board. During the 2007 fiscal year the District paid \$38,282 to SWOCA for services. To obtain financial information, write to the Southwestern Ohio Computer Association, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

## ***MADISON LOCAL SCHOOL DISTRICT, OHIO***

---

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007***

---

#### **NOTE 13 - RISK MANAGEMENT**

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

#### **NOTE 14 - CONTINGENCIES**

##### **A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

##### **B. Litigation**

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2007.

##### **C. State School Funding**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed, 'the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient.' The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**MADISON LOCAL SCHOOL DISTRICT  
BUTLER COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U. S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation Program	N/A	10.550	\$ -	\$ 15,603	\$ -	\$ 13,600
Nutrition Cluster:						
School Breakfast Program	05PU-2006	10.553	3,646	-	3,646	-
School Breakfast Program	05PU-2007	10.553	20,181	-	16,597	-
Total School Breakfast Program			23,827	-	20,243	-
National School Lunch Program	LLP4-2006	10.555	19,964	-	19,964	-
National School Lunch Program	LLP4-2007	10.555	93,863	-	87,191	-
Total National School Lunch Program			113,827	-	107,155	-
Total Nutrition Cluster			137,654	-	127,398	-
Total U.S. Department of Agriculture			137,654	15,603	127,398	13,600
<b>U. S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1S1-2006	84.010	(2,952)	-	12,806	-
Title I Grants to Local Educational Agencies	C1S1-2007	84.010	177,655	-	162,418	-
Total Title I Grants to Local Educational Agencies			174,703	-	175,224	-
Special Education Cluster:						
Special Education - Grants to States	6BSF-2006	84.027	-	-	15,142	-
Special Education - Grants to States	6BSF-2007	84.027	275,484	-	254,882	-
Total Special Education - Grants To States			275,484	-	270,024	-
Special Education - Preschool Grant	PGS1-2006	84.173	858	-	801	-
Special Education - Preschool Grant	PGS1-2007	84.173	3,303	-	3,241	-
Total Special Education - Preschool Grants			4,161	-	4,042	-
Total Special Education Cluster			279,645	-	274,066	-
Safe and Drug-Free Schools and Communities - State Grants	DRS1-2006	84.186	-	-	3,076	-
Safe and Drug-Free Schools and Communities - State Grants	DRS1-2007	84.186	4,769	-	2,684	-
Total Safe and Drug-Free Schools and Communities - State Grants			4,769	-	5,760	-
State Grants for Innovative Education Programs	C2S1-2006	84.298	508	-	508	-
State Grants for Innovative Education Programs	C2S1-2007	84.298	1,688	-	1,577	-
Total State Grants for Innovative Education Programs			2,196	-	2,085	-
Education Technology - State Grants	TJS1-2006	84.318	293	-	293	-
Education Technology - State Grants	TJS1-2007	84.318	1,846	-	1,669	-
Total Education Technology - State Grants			2,139	-	1,962	-
Improving Teacher Quality - State Grant	TRS1-2006	84.367	4,132	-	7,155	-
Improving Teacher Quality - State Grant	TRS1-2007	84.367	57,791	-	51,655	-
Total Improving Teacher Quality - State Grant			61,923	-	58,810	-
Total U.S. Department of Education			525,375	-	517,907	-
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 663,029</b>	<b>\$ 15,603</b>	<b>\$ 645,305</b>	<b>\$ 13,600</b>

The accompanying notes are an integral part of this schedule.

**MADISON LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION, CFDA #10.550**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed.

**NOTE C – NEGATIVE AND COMMINGLED RECEIPTS**

The Ohio Department of Education (ODE) transferred federal monies from grant year 2006 to grant year 2007 for the District's Title 1 Grants to Local Educational Agencies. This transfer appears as a negative receipt in the 2006 grant year and a positive receipt in the 2007 grant year. This action by ODE allowed the District to extend the availability period for expenditure of these receipts.

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

# Bastin & Company, LLC

*Certified Public Accountants*

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Madison Local School District  
1324 Middletown-Eaton Road  
Middletown, Ohio 45042

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Local School District, Butler County, Ohio, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

## Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Education, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
December 7, 2007

# Bastin & Company, LLC

*Certified Public Accountants*

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Madison Local School District  
1324 Middletown-Eaton Road  
Middletown, Ohio 45042

### **Compliance**

We have audited the compliance of the Madison Local School District, Butler County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. The District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the



purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Education, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in dark ink on a light-colored background.

Cincinnati, Ohio  
December 7, 2007

**MADISON LOCAL SCHOOL DISTRICT  
BUTLER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB Circular A-133 § .505  
FOR THE YEAR ENDED JUNE 30, 2007**

<b>SUMMARY OF AUDITORS' RESULTS</b>
-------------------------------------

Type of financial statement opinion	Unqualified
Were there any material control weaknesses reported at the financial statement level?	No
Were there any other significant deficiencies in internal control reported at the financial statement level?	No
Was there any reported material noncompliance reported at the financial statement level?	No
Were there any material internal control weakness reported for major Federal programs?	No
Were there any other significant deficiencies in internal control reported for major Federal programs?	No
Type of major programs' compliance opinion	Unqualified
Are there any reportable findings?	No
Major programs	<p><u>Nutrition Cluster</u>: CFDA 10.553 - School Breakfast Program, CFDA 10.555 - National School Lunch Program</p> <p><u>Special Education Cluster</u>: CFDA 84.027 - Special Education - Grants to States, CFDA 84.173 - Special Education - Preschool Grant</p> <p><u>CFDA 84.186</u> - Safe and Drug-Free Schools and Communities - State Grants</p> <p><u>CFDA 84.298</u> - State Grants for Innovative Education Programs</p> <p><u>CFDA 84.318</u> - Education Technology - State Grants</p>
Dollar threshold to distinguish between Type A/B programs	Type A > \$300,000 Type B – all other programs
Low risk auditee?	Yes

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

None

<b>FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
---

None

**MADISON LOCAL SCHOOL DISTRICT  
BUTLER COUNTY  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2007**

There were no findings reported in the prior audit report.





**Mary Taylor, CPA**  
Auditor of State

**MADISON LOCAL SCHOOL DISTRICT**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 12, 2008**